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Table of Contents

Introduction 1

Ontario's Outlook for 1991: A Summary 2

The External Context: Key Factors 2

Financial Markets and the Exchange Rate 2

Energy Prices 2

International Trade 2

Canadian Outlook 2

1991 Outlook in Detail 2

Consumer Spending 2

Investing 2

Business Investment 2

External Trade 2

Labour Markets 10

Inflation 12

Medium-Term Outlook 12

Key Assumptions 12

Outlook 12

Ontario's Economic Outlook

Ministry of Treasury and Economics
December 1990

Table of Contents

	Page
Introduction	1
Ontario's Outlook for 1991: A Summary	1
The External Context: Key Factors	2
Financial Markets and the Exchange Rate	2
Energy Prices	2
International Outlook	3
Canadian Outlook	4
1991 Outlook in Detail	5
Consumer Spending	6
Housing	7
Business Investment	8
External Trade	9
Labour Markets	10
Inflation	12
Medium-Term Outlook	13
Key Assumptions	13
Outlook	13

Introduction

This paper reviews the recent performance of the Ontario economy and provides detail on the 1991 economic outlook.

It also provides an analysis of the factors affecting the Ontario economy in the medium term and a forecast for the 1992-94 period.

Ontario's Outlook for 1991: A Summary

Ontario Economic Outlook at a Glance

Table 1

	1989	1990	1991
Real Growth (%)	3.2	0.7	0.5
Job Creation (000s)	87	-1	0
Unemployment Rate (%)	5.1	6.1	7.3
CPI Inflation (%)	5.8	4.9	6.1

- Ontario's real Gross Domestic Product (GDP) is expected to rise by only 0.7 per cent in 1990, with declines in real GDP expected in each of the last three quarters.
- Overall growth in 1991 is forecast to be only 0.5 per cent. Output is expected to continue to decline in the first part of 1991, with moderate growth resuming by mid-year.
- The Consumer Price Index is expected to rise by 4.9 per cent in 1990. In the absence of the GST, inflation in 1991 would moderate somewhat below 4.9 per cent, despite higher oil prices. The impact of the GST, however, is to increase CPI inflation for 1991 to 6.1 per cent.
- Total employment is projected to remain static in Ontario at 4.95 million in 1990 and 1991.
- The unemployment rate is forecast to rise from 5.1 per cent in 1989 to 6.1 per cent in 1990 and to 7.3 per cent in 1991.

The External Context: Key Factors

The Ontario economy is heavily dependent on developments in the external environment: most notably interest and exchange rates, oil prices and international economic performance. The sections below review the outlook for these key external factors.

There remains a significant risk of a major war in the Middle East. The outbreak of war would result in a much more severe and protracted downturn. The short term forecast presented in this paper, however, is based on the assumption that there will be no war.

Financial Markets and the Exchange Rate

A key determinant of Ontario's economic performance is the interest rate policy pursued by the Government of Canada. Record high real interest rates, and an unprecedented Canada-U.S. interest rate spread, which resulted in the Canadian dollar reaching a 12-year high this summer, pushed the Ontario economy into a recession in the spring of 1990.

The Bank of Canada is expected to maintain its single-minded pursuit of lower inflation. Consequently, it will maintain a restrictive monetary policy, in an effort to discourage the incorporation of GST and oil price increases into wage settlements. Nevertheless, the slowing in private credit demand and the reduction in underlying inflationary pressures brought about by the recession should permit a gradual decline in short-term interest rates. The chartered banks' prime lending rate is expected to average 12.4 per cent in 1991, compared to an average of 14.2 per cent in 1990.

With lower interest rates and lower oil prices expected over the course of 1991, the Canadian dollar is expected to move down from the 85-88 cents U.S. range in 1990 to the 83-86 cents U.S. range in 1991.

Energy Prices

The world price of oil also has a substantial bearing on the performance of the Ontario economy. An increase of one U.S. dollar per barrel in the world oil price adds \$200 million per year to the Ontario oil bill.

International oil prices rose dramatically this fall in response to events in the Middle East. Substantial uncertainty continues to surround the outlook for oil prices in 1991. This forecast assumes that war does not break out in the Middle East and that, as a result, current prices are unsustainable given the absence of serious supply/demand imbalances. Accordingly, world crude oil prices are expected to fall from an average of U.S. \$32 per barrel in the fourth quarter of 1990 to U.S. \$22 by the end of 1991.

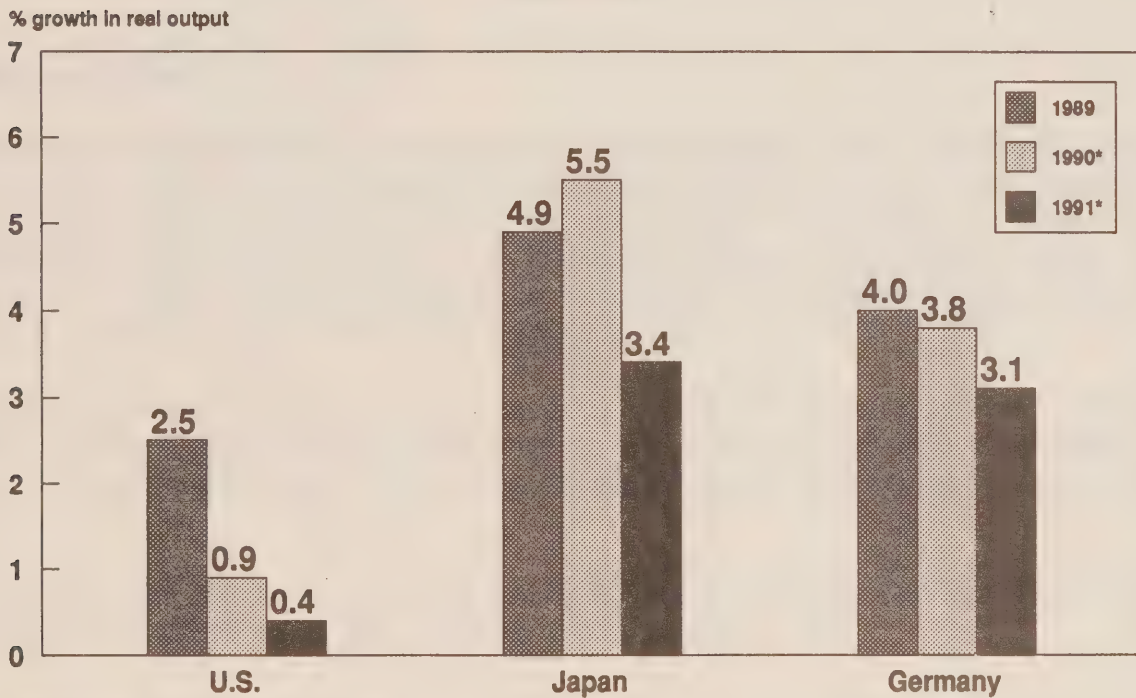
International Outlook

Economic performance in the United States has a significant impact on Ontario. International exports, nearly 90 per cent of which are to the United States, account for 30 per cent of Ontario's GDP. Inter-provincial trade accounts for a further 14 per cent of total provincial output.

Real growth in the Organization for Economic Cooperation and Development (OECD) countries is expected to slow to under 2 per cent in 1991, from 2.5 per cent in 1990 and 3.3 per cent in 1989. However, there will be major differences in economic performance among the industrialized countries.

International Economic Outlook

1989-1991



*Estimate for 1990 and Forecast for 1991.

The U.S. economy is slowing significantly and appears to have entered a recession in the fourth quarter of 1990. Real output in the U.S. is expected to grow by 0.9 per cent in 1990 and 0.4 per cent in 1991, well below the 3.3 per cent average rate recorded over the 1985-89 period. Factors contributing to the downturn include high oil prices, a fall in consumer confidence and high levels of debt. A modest recovery is expected to begin by mid-1991.

West Germany's economy has recorded growth estimated at 3.8 per cent in 1990. In 1991, German growth is expected to be a more moderate 3.1 per cent. Consumption and investment growth will continue to be strong in 1991, due in part to German reunification. The German economy is operating close to full capacity and imports are also expected to continue to grow strongly. The rest of Europe is expected to grow more slowly.

An appreciation of the yen and higher interest rates are expected to slow Japanese growth to 3.4 per cent in 1991, from 5.5 per cent in 1990. While consumption and investment will both grow moderately in 1991, higher interest rates and the decline in the Japanese stock market have resulted in a significant slowdown in investment. Inflation is expected to remain near 3 per cent in 1991 -- high by Japanese standards. This is expected to result in a further tightening of Japanese monetary policy and higher interest rates.

Canadian Outlook

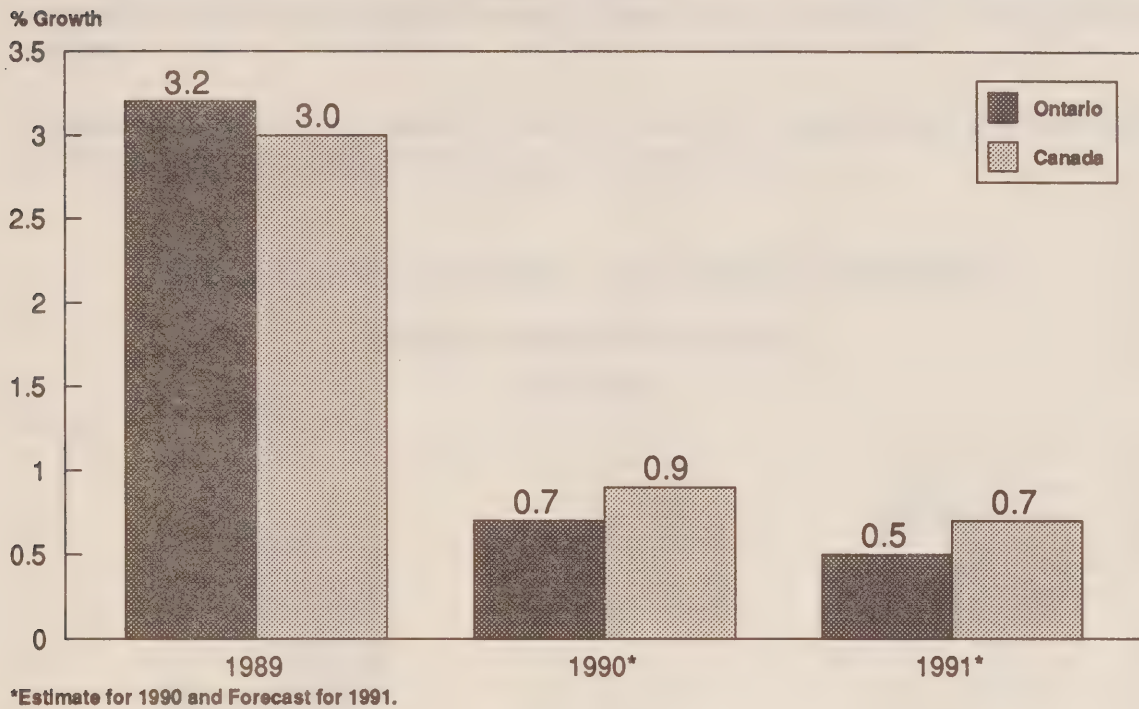
The Canadian economy entered a recession in the second quarter of 1990. The national recession is expected to have the same four-quarter duration as the downturn in the Ontario economy, but the decline in the rest of Canada is expected to be less severe. While growth is expected to show considerable variation among provinces in 1990, most provinces are expected to record weak growth in 1991 as the recession spreads across the country. The Canadian economy is expected to grow by 0.9 per cent in 1990 and 0.7 per cent in 1991.

Employment growth in Canada will slow to 0.9 per cent in 1990 from 2.0 per cent in 1989. In 1991, Canadian employment is expected to remain at 12.6 million. The national unemployment rate is forecast to climb from 7.5 per cent in 1989 to 8.0 per cent in 1990 and to 8.9 per cent in 1991.

CPI inflation will rise to 6.3 per cent in Canada in 1991 from 4.8 per cent in 1990. The GST and higher average oil prices will contribute to this increase.

1991 Outlook in Detail

Real Growth: Ontario and Canada 1989 - 1991



Over the course of the recession, real output is forecast to decline by 1.5 per cent. On an annual basis, real output growth is forecast to slow from 3.2 per cent in 1989 to 0.7 per cent in 1990 and to 0.5 per cent in 1991.

- The downward turn in the major components of domestic demand -- consumption, business investment and housing -- was partially offset by a stronger trade performance in the first half of 1990, as exports grew substantially while imports showed little growth.

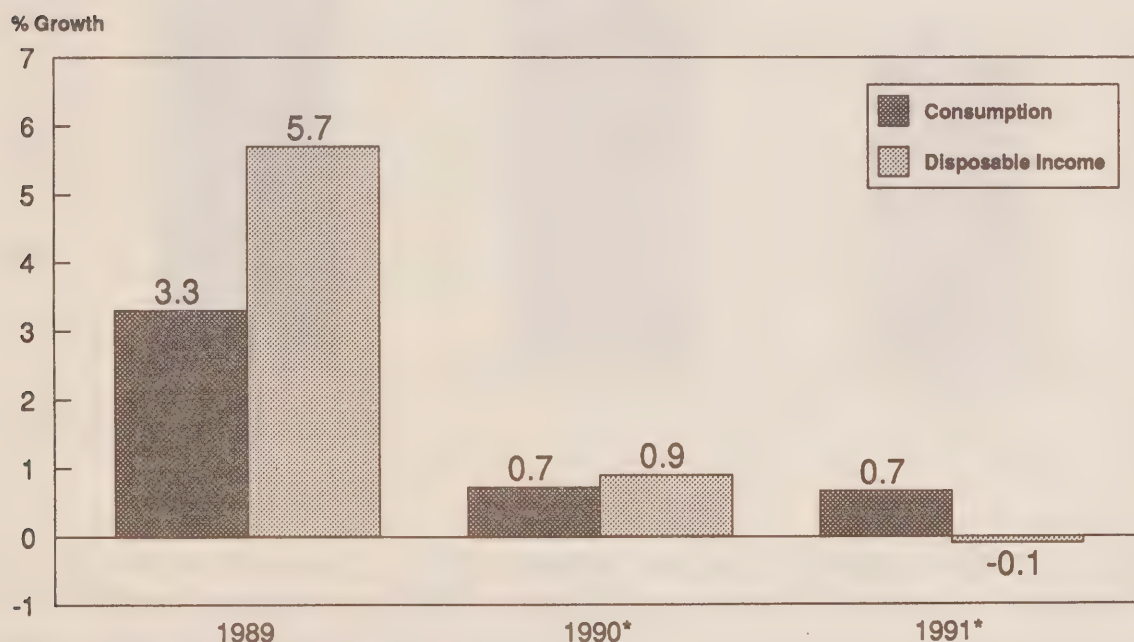
Consumer Spending

Real consumption is expected to rise by only 0.7 per cent in 1990, compared to 3.3 per cent growth in 1989 and average annual growth of 5.2 per cent from 1983 to 1988.

- Weak spending in 1990, particularly on consumer durables such as automobiles, is a result of a variety of factors. These include high interest rates, declining employment, falling consumer confidence and higher taxes, primarily those announced in the 1989 federal budget.
- Weakness in the housing market, combined with high interest rates, has also led to a decline in sales of household furnishings and appliances.

Real Consumption and Real Personal Disposable Income

1989-1991



*Estimate for 1990 and Forecast for 1991.

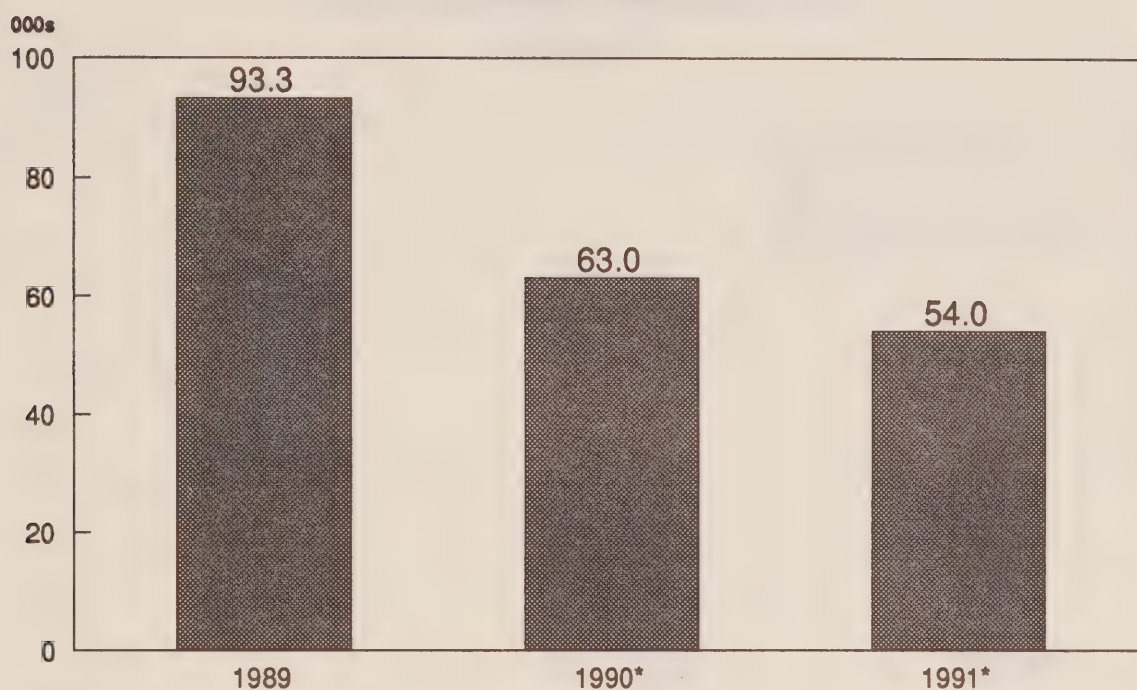
In 1991, weak real income growth, the slump in the housing market and the introduction of the GST will restrain real consumer spending growth to 0.7 per cent.

- The GST will have a particularly negative impact on purchases of services.

- Faced with a decline in real disposable income, consumers are expected to draw down their savings, built up over the last two years, to finance expenditures.

Housing

Ontario Housing Starts 1989-1991



*Estimate for 1990 and Forecast for 1991.

Housing demand has been weak in 1990 as interest rates rose, employment declined, consumer confidence fell and expectations of further price declines pervaded the market. The weakness in housing market activity also reflects a reversal in net inter-provincial migration and the large inventory of new units, particularly condominiums.

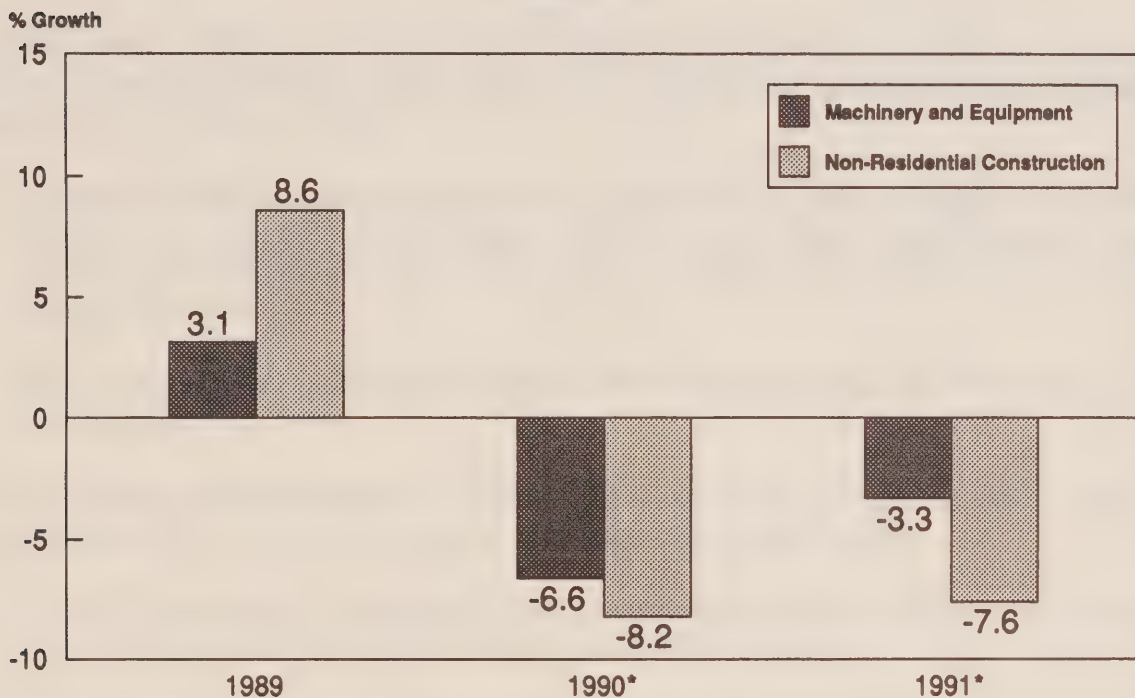
- Housing starts are estimated to total 63,000 in 1990, down from 93,337 starts in 1989. Real residential investment has fallen an estimated 15.1 per cent in 1990.

Housing starts are projected to drop to 54,000 in 1991. Real residential construction spending is expected to decrease by a further 14.6 per cent in 1991, reflecting lower housing starts and weak resale and home renovation markets.

- The GST will negatively impact new home construction, the resale market and renovation activity in 1991.
- Although lower interest rates should provide some relief, declines in real disposable incomes and uncertainty about the economy and the direction of house prices will contribute to the continuing moderation of housing market activity.

Business Investment

Real Business Investment 1989-1991



Business investment plans have been scaled back sharply in recent months. Real business spending in Ontario has fallen by 7.1 per cent in 1990 and is expected to fall by a further 4.8 per cent to \$27.1 billion in 1991.

- High real interest rates, the high dollar and weak consumer spending in both Canada and the United States have produced a sharp drop in corporate profits.
- Spare capacity has emerged in a number of sectors as new plant has come on stream and as the recession in Canada and the U.S. has slowed demand growth.

- Commercial construction is expected to weaken in 1991, in response to higher vacancy rates.
- Non-residential construction is expected to decline by 8.2 per cent in 1990, and by a further 7.6 per cent in 1991.
- Business spending on machinery and equipment has declined by 6.6 per cent in 1990, and is expected to fall a further 3.3 per cent in 1991.

External Trade

In the first half of 1990, Ontario's real external trade surplus increased considerably. Even with declines in the province's real trade balance in the second half of the year, the surplus has improved by \$6.7 billion in 1990.

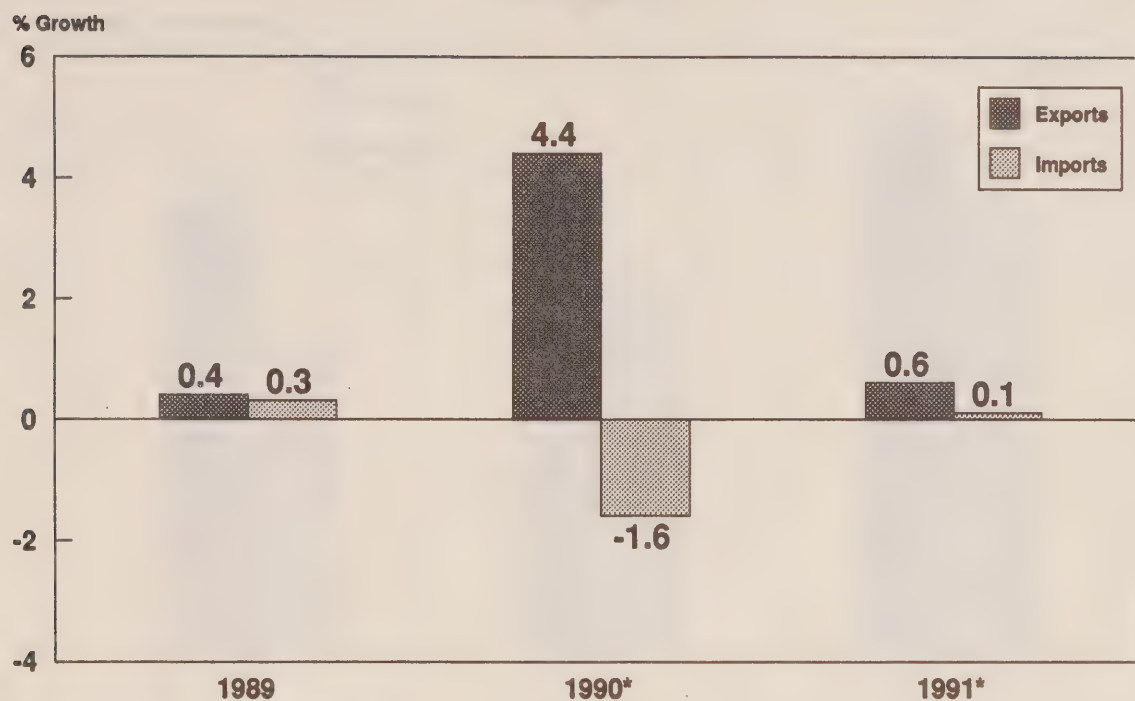
- Ontario real exports are expected to rise by 4.4 per cent in 1990. Stronger auto assembly accounts for a large part of the increase. Ontario's share of North American auto assembly has been increasing steadily due to high capital investment in recent years in transplant and domestic factories.
- With weak consumer spending and declines in investment, real imports are expected to drop by 1.6 per cent in 1990.

In 1991, Ontario's real trade balance is expected to show only a slight further improvement, as real export growth outpaces the increase in real imports by a small margin.

- In 1991, real exports are expected to post a marginal gain of 0.6 per cent, limited by the slow recovery in the United States and in the rest of Canada.
- Continued weakness in consumer spending and in machinery and equipment investment will keep imports virtually unchanged, rising by only 0.1 per cent in 1991.

Real External Trade

1989-1991



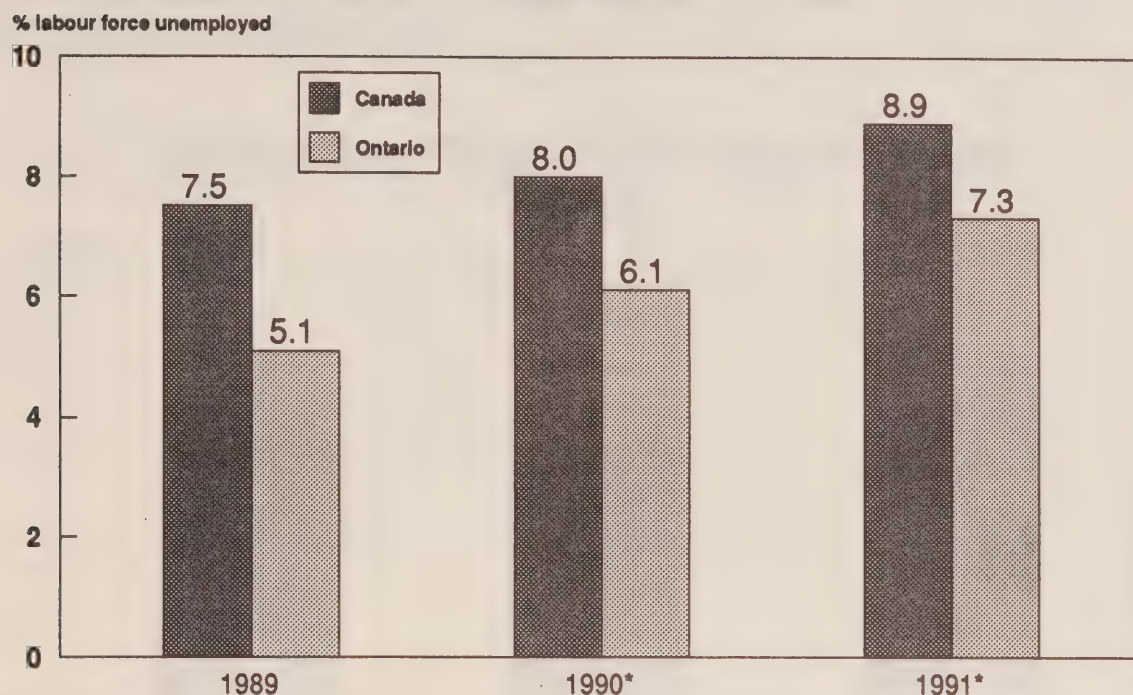
Labour Markets

Total employment, following an increase of 87,000 jobs in 1989, is expected to remain static at 4.95 million in 1990 and 1991. Several factors will contribute to the poor employment performance:

- The recession in the Ontario, Canadian and U.S. economies;
- The high value of the Canadian dollar, which hurts the competitiveness of Ontario's manufacturing exports;
- Structural adjustment pressures from increasing global competition, the Free Trade Agreement and the GST.

Canada and Ontario Unemployment Rates

1989-1991



*Estimate for 1990 and Forecast for 1991.

In 1990, the Ontario unemployment rate is expected to average 6.1 per cent, up from 5.1 per cent in 1989. Unemployment is up substantially among both women and men. As of October 1990, on a seasonally adjusted basis:

- The female unemployment rate has increased to 7.7 per cent from 5.2 per cent one year earlier.
- The male unemployment rate has risen to 6.8 per cent from 4.6 per cent one year earlier.

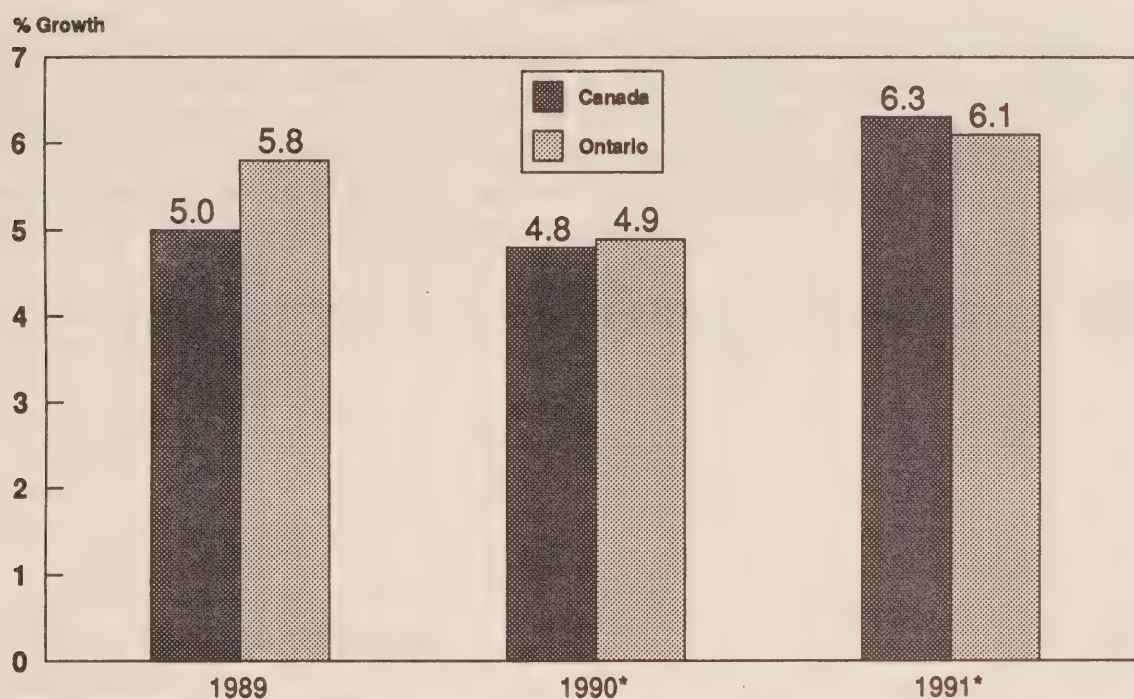
In 1991, the unemployment rate is forecast to average 7.3 per cent. A lower labour force participation rate is expected to moderate the rise in the unemployment rate. Both women and men are expected to face higher unemployment in 1991.

Inflation

In 1990, the Ontario CPI inflation rate is estimated to be 4.9 per cent, down from 5.8 per cent in 1989. The moderation in inflation is attributed to weaker economic activity, a fall in house prices, and lower raw material prices.

Canada and Ontario CPI Inflation Rates

1989-1991



*Estimate for 1990 and Forecast for 1991.

In the absence of the GST, CPI inflation in Ontario in 1991 would drop slightly from its 1990 level, despite higher oil prices. The impact of the GST, however, is to raise Ontario's CPI inflation rate for 1991 to 6.1 per cent. Ontario's inflation rate is expected to be slightly lower than Canada's in 1991, due to Ontario's weaker economy.

Medium-Term Outlook

Key Assumptions

Real interest rates are expected to be held at historically high levels over the medium term, reflecting the Bank of Canada's desire to achieve significant inflation reduction. Although interest rate spreads between Canada and the U.S. are expected to narrow, high real interest rates in Canada will continue to draw in foreign capital. As a result, the dollar is expected to fall only gradually to 81 cents U.S. by 1994, an average annual depreciation of only 1.4 per cent.

The U.S. is expected to grow at an average annual pace of 2.5 per cent over the 1992 to 1994 period. This is markedly slower than the 4.6 per cent annual rate of growth in the three years following the previous recession. Monetary policy in the United States is expected to remain relatively tight over the medium term, as inflation remains a concern. Nevertheless, the Federal Reserve Board is expected to be more moderate than the Bank of Canada in its pursuit of price stability as the U.S. banking situation remains precarious.

Following a surge in 1990 and 1991, real oil prices are expected to remain stable at U.S.\$22 per barrel over the medium term.

Outlook

The Ontario Economy: 1992-1994
(Average Annual)

Table 2

Real Growth (%)	2.9
CPI Inflation (%)	4.1
Job Creation (000s)	100
Unemployment (%)	6.9

- Over the 1992 to 1994 period, real growth is expected to average 2.9 per cent, significantly slower than the rebound in growth following the last recession. The primary reasons are the continuation of tight monetary policy, the relatively high value of the Canadian dollar and the adjustment costs associated with increased global competition.

- Continued high real interest rates are expected to cause Ontario's CPI inflation rate to fall from 4.6 per cent in 1992 to 3.7 per cent by 1994.
- Following the end of the current recession, the Ontario economy is expected to create an annual average of 100,000 jobs over the 1992-94 period. This compares to annual employment gains of 133,000 during the 1983-88 period. On an annual basis, the unemployment rate is forecast to decline slowly from 7.3 per cent in 1991 to 6.5 per cent in 1994.

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ONTARIO ECONOMIC OUTLOOK

MEETING THE CHALLENGES

Ministry of Treasury and Economics
December 1991

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from "Canadian Drawings - a portfolio of prints
by members of the Group of Seven", 1925.
Collection: Art Gallery of Ontario.

ONTARIO ECONOMIC OUTLOOK

TABLE OF CONTENTS

I. Introduction	1
The Challenges in Context	1
The Policy Framework	4
II. The Labour Market Outlook	7
Summary	7
Structural Change Over the Past Decade	9
Strongest Growth in Occupations Requiring Higher Levels of Education	10
One-Third of Ontario Workers Are In "Non-Standard" Jobs	11
Real Wages Have Been Flat	12
Income Shares Remain Fairly Constant	13
Growth of Incomes of Younger Families Is Lagging	14
The Impact of the 1990-91 Recession	15
All Regions Affected by Rise in Unemployment	15
More Permanent Plant Closures	16
Unemployment Rates Highest for Workers Who Have Not Completed High School	16
Long-Term Unemployment Increasing for Both Men and Women	17
Greater Reliance on Unemployment Insurance and Social Assistance	18
The 1992-95 Outlook	19
Unemployment Rate to Decline Slowly	19
Long-Term Unemployment Will Persist During the Economic Recovery	20
Labour Force Growing and Becoming More Diverse	21
Education Level of the Labour Force Is Rising	22
Modest Job Growth, Yet High Unemployment	23
III. Sectoral and Community Economic Outlook	25
Summary	25
Infrastructure Provides Foundation For Economic Growth	29
Knowledge-Based and Emerging Industries to Support Recovery	31
Business Services to Resume Strong Growth	34
Construction Recovery to be Led by Residential Activity	36
Automotive Sector Linked to U.S. Prospects	38

Industrial Materials Recovering Slowly	41
Resource-Based Industries Facing Continuing Global Pressures	44
Consumer Products and Distribution Adjusting to U.S. Competition	47
Tourism and Hospitality Sector Recovery Lags the Economy	49
Agriculture and Food Industry Faces Mixed Growth Prospects	52
IV. The Macroeconomic Outlook	55
Summary	55
The External Environment: Key Factors	58
The Changing World Economy	58
Longer-Term Productivity Problems Due to Tight Monetary Policy and Slow Capital Investment	60
Short-Term Competitiveness Problems Due to the High Dollar	62
The Outlook for Interest Rates and the Dollar	63
Canadian Economic Outlook	64
The Impact of the Recession	65
The Short- and Medium-Term Outlook	66
Consumer Spending to Advance Slowly	68
Housing Recovery to Lead Economy	69
Modest Recovery in Equipment Investment, Continued Weakness in Plant Construction	70
Trade Sector to Remain Weak	71
Labour Markets to Improve, But Unemployment to Decline Slowly	72
Inflation Will Continue to Ease	72
Appendices	75

I. INTRODUCTION

Ontario faces a challenge of fundamental economic renewal. The scope of the challenge is unlike anything we have experienced since the Great Depression. Major changes are required in what we produce, how we produce it, and where we sell it. Major changes are also required in the way our society makes economic and social decisions.

Economic renewal means restructuring our industries to achieve high levels of employment in well-paying, high value-added jobs. It means improving training programs and developing a culture of life-long learning. It means encouraging continuous innovation in products, processes and organizations. It means better programs to help individuals and firms adjust to the consequences of change, and a fairer distribution of incomes. It means better integration of our economic and environmental goals, and addressing the special adjustment problems of northern and rural communities. It means redefining the role of government in the economy, and finding better ways for governments in Canada to manage our economic union.

This introductory chapter summarizes a number of factors affecting the economic renewal agenda, and reviews the general policy framework that has been established by the Government. Subsequent chapters explore Ontario's strengths and challenges in greater detail.

The Challenges in Context

Ontario is well positioned to meet the challenges of economic renewal. It has a well educated and growing labour force. It has superior transportation and communications networks, and a secure supply of energy. Geographically, it is located in the centre of the North American marketplace. It also enjoys good social programs, a good track record on environmental preservation, and a high quality of life — factors that are increasingly important in winning the kinds of investment needed for sustainable prosperity.

These advantages will have to be better exploited in the 1990s. The 1990-91 recession brought into clear focus the need for fundamental economic renewal in Ontario. Combined with other factors, it is also making it more difficult to achieve our economic renewal objectives. The main pressures for economic renewal — and the factors affecting its pace — can be summarized as follows:

- **Ontario faces continuing social and fiscal problems related to the severity of the recession.**
 - In terms of job loss, the recession was the worst since the 1930s. The unemployment rate rose to over 10 per cent last June, meaning half a million Ontarians were unable to find work. Unemployment has been particularly severe for prime-age workers with families.
 - Social assistance caseloads have risen dramatically — about one million people are currently supported by Ontario's welfare and family benefits programs. The cost of social assistance more than doubled in the last two fiscal years, from \$2.6 billion in 1989-90 to an estimated \$5.3 billion in 1991-92.

- Many factories and businesses responded to the downturn by closing permanently, rather than slowing production or closing temporarily. This recession has affected all areas of the province, but permanent closings have meant particularly severe adjustment problems for people in some of Ontario's smaller communities, where there are few alternative employers and only modest prospects for investment and economic diversification.
 - The Provincial deficit rose significantly, primarily as a result of recession-related expenditure increases and a sharp decline in revenues. Part of the deficit increase was due to direct policy initiatives to support job creation.
- **The Province is expecting a cyclical recovery that will be weak by historical standards.**
- The Ontario economy has begun to emerge from the recession, but annual growth in the 1992-95 period is expected to average only 3.6 per cent, compared to 6.0 per cent during the 1983-86 recovery. A sluggish and uncertain U.S. recovery, continuing high real interest rates, a high dollar, and low corporate profits are the main factors constraining the recovery in Ontario.
 - Unemployment and social assistance caseloads are expected to remain high throughout the forecast period. On current assumptions, the unemployment rate will not fall below 8 per cent until 1995. A large number of individuals will experience unemployment spells lasting over six months, and risk becoming permanently unemployed.
 - A relatively weak recovery, combined with other factors, will make it difficult for businesses to finance the investments required to ensure their long-term competitiveness. The sharp drop of investment during the recession was a setback for economic renewal.
- **The Ontario economy is undergoing major structural adjustments, many of which have been accelerated by the recession.**
- Because of its heavy dependence on trade, Ontario is vulnerable to the increasing globalization of the world economy. We are facing increased competition in many of our traditional export markets, especially from low-wage producers in the third world. International prices are low for many of our key agricultural and resource products. We are also experiencing accelerated import penetration in some of our domestic markets, due, in part, to tariff reductions under the General Agreement on Tariffs and Trade and the Canada-U.S. Free Trade Agreement.
 - Many of Ontario's manufacturing industries continue to have productivity levels considerably below their U.S. counterparts. Moreover, our overall rate of productivity increase has been low compared to that of the advanced industrial countries. There are a number of reasons for this, including inadequate capital investment, insufficient training, and low levels of domestic research and development. Also relevant is the branch-plant organization of much of the Ontario manufacturing sector. While a more global orientation is beginning to emerge, many Ontario businesses are still struggling to make the transition to greater specialization in high value-added products that are competitive on the world market.

- Ontario's manufacturing costs have been growing more rapidly than those of our American competitors, even in domestic currency terms. This is due, in part, to slow investment in industrial restructuring. A second explanation is the differential rate of growth in average hourly rates of compensation in manufacturing. (The average real wage of Canadian workers remained roughly constant over the 1980s, while the real wage of American workers fell significantly.)
- **Ontario's difficulties are being exacerbated by the economic and fiscal policies of the federal government.**
 - The high real interest rates engineered by the Bank of Canada in 1989 and 1990 were the major determining factor in the timing and severity of the recession. Real rates are beginning to come down, but remain too high. They forestall the necessary investment in economic renewal, especially by small businesses and farmers.
 - High interest rates drove the Canadian dollar to a thirteen year high relative to the U.S. dollar. The dollar is at an artificial, unsustainable level, given the underlying cost performance of the two economies. Exporters are suffering from the high dollar. Over the medium term, investment in Canada could be discouraged by an inappropriate exchange rate.
 - The Free Trade Agreement has accelerated structural changes in the economy. High interest rates and a high dollar are making it difficult for Canadian businesses to capitalize on the new opportunities the free trade deal was supposed to bring. Simultaneously, they encourage imports and cross-border shopping. In addition, the level of federal adjustment assistance for firms, sectors and workers has been disappointing.
 - There have been major cutbacks in federal support for social programs. Beginning in November 1990, eligibility for Unemployment Insurance was tightened, and the maximum length of benefits was shortened. This has resulted in increased need for provincial social assistance. More importantly, tremendous pressures have been placed on Ontario's deficit by cuts in federal support for health, education and social assistance programs.

The Policy Framework

This paper provides information on many of the points summarized above, as the basis for consultations leading to the 1992 Ontario Budget. The Government welcomes all suggestions for dealing with these issues. In preparing their observations and suggestions, commentators may wish to consider the policy framework established in the 1991 Ontario Budget ¹, and subsequent ministerial announcements.

The main elements of the Government's approach to economic renewal are summarized below.

- **Economic renewal means raising living standards and improving working conditions.** The Government has a modern, positive view of competitiveness, based on raising productivity. It is strongly opposed to the view that Ontarians must inevitably lower their economic expectations — that we must compete by accepting lower real wages, poorer working conditions, a degraded environment, and restrictions on our rights to bargain collectively. The pursuit of cost advantage through reductions in workers' living standards and bargaining rights is not acceptable. That would defeat the ultimate purpose of improved competitiveness — improved living standards for all Ontarians.
- **Ontario must restructure its economy in the direction of higher value-added goods and services.** This is the key to sustainable prosperity. It is only through the development of a higher value-added economy that Ontario will be able to increase its standard of living. Economic policies will have to be tailored with this objective in mind. Innovation needs to be supported, especially at the level of small businesses and start-ups. New ways need to be found for financing investment in strategic, leading edge sectors of the economy. Equitable arrangements must be devised for shifting resources out of declining sectors into expanding ones. Most importantly, the quality and flexibility of the labour force must be improved, through better education and training, and the development of a culture that values education and training as a continuing, life-long process.
- **The Government's role in economic renewal is to facilitate and encourage change.** Economic renewal does not mean massive government intervention in the economy, or expensive new programs. In the modern world, nations compete largely on the basis of the skills, ideas and organizational abilities of their people. The Ontario Government will work, within serious fiscal constraints, to help businesses and workers adjust successfully to rapidly changing circumstances, and to encourage them to work constructively together. A greater emphasis on worker training is essential. At the same time, new approaches are needed to increase the involvement of employers and worker representatives in the design and delivery of training programs.
- **Partnership is the key to managing change and achieving productivity gains.** Improved machinery and equipment play a critical role in raising productivity, but the successful introduction of new technology depends on skilled workers and good relations in the workplace. Good labour-management relations lead to productivity improvements — through greater employee participation in shop floor decisions, enhanced quality control,

¹ For further reference, see "Budget Paper E: Ontario in 1990s," in Ontario Ministry of Treasury and Economics, *1991 Ontario Budget*, 1991, p.85-101.

reduced work time lost through absenteeism and work stoppages, and more appropriately targeted training programs. For these reasons, the Government is seeking, through public consultations, to arrive at a more balanced set of rules to govern labour-management practices in the province. As mentioned above, a partnership approach is also being pursued in the training area. Partnership must be improved, as well, among the different levels of government in Canada.

- **Economic renewal requires the protection and enhancement of social programs.** Social programs play a key role in facilitating economic change by lowering the risks to individuals and supporting labour adjustment. The Government is open to reforms that will improve the cost-effectiveness of social programs, but is very concerned about the potential for a competitive bidding down of service standards in the name of economic efficiency. Such a course would be highly inequitable, corrosive of national unity, and counterproductive in the long run. The Government of Ontario has proposed a Social Charter for the constitution to help protect social programs and national standards.

Organization of the Paper

- **Chapter II** of this paper presents information related to employment, wages and labour market skills. It begins by reviewing some of the important changes that have occurred in the Ontario labour market since the early 1980s. It then examines the impact of the 1990-91 recession on workers and their families, and concludes with a discussion of the short- and medium-term employment outlook.
- **Chapter III** provides a sectoral perspective on the nature of the structural challenges facing the Ontario economy. Ten sectors are identified. For each sector, there is a review of economic performance over the 1980s, and an examination of the impact of the recession, including some of its regional implications. This is followed by a discussion of the issues affecting the sectoral outlook to 1995.
- **Chapter IV** provides a four-year macroeconomic forecast. The assumptions underlying the forecast are given, along with an assessment of the forecast risks. The chapter also includes a discussion of several key issues, notably the joint problem of high real interest rates and a high Canadian dollar.

Chapter summaries provide an overview of the material. An Appendix provides historical data on some of the key economic variables discussed in the paper.

II. THE LABOUR MARKET OUTLOOK

Summary

The quality of the labour force is a key determinant of an economy's productivity and wealth. Ontario's labour force of 5.3 million ranks among the best in the world. Half of Ontario's labour force has some post-secondary education—up from 30 per cent in 1980. Our labour force is young, but will mature gradually over the coming decade, becoming more experienced and productive. The province's labour force participation rates are among the highest in the industrialized world. The supply of labour will continue to grow at a healthy rate throughout the 1990s, due in part to the high levels of immigration planned by the federal government.

Structural Change Over the Past Decade

The 1980s were a decade of significant change in the Ontario labour market. The workforce had grown quite rapidly during the 1970s as the large cohorts born in the late 1950s and early 1960s began entering the job market. Labour force growth slowed in the 1980-85 period, but accelerated later as the result of high net migration from other provinces in mid-decade and rapidly rising immigration after 1986. Growth brought notable changes in the composition of the Ontario labour force by sector, occupation, age and sex.

Job creation through the decade was strong, notwithstanding the 1981-82 recession. However, with rapid labour force growth and dramatic changes in the type of skills demanded by employers, the unemployment rate was slow in declining. Although it fell to 5.1 per cent by 1989, the average rate was 7.3 per cent for the 1980s, compared to 5.9 per cent for the 1970s, and 3.6 per cent for the 1960s.

Better educated workers found good employment opportunities. Jobs in management and administration increased more rapidly than jobs in all other categories. Women's employment in managerial and professional jobs increased significantly, from low levels.

Less educated workers had a more difficult time. Many people who were laid-off in the 1981 recession found it difficult to get good jobs once the economy began to emerge from the recession. Long-term unemployment continued at high levels well into the recovery. Short-term employment grew somewhat during the 1980s, reflecting changes on both the supply and demand sides of the market—workers sought more flexibility in order to manage family and other responsibilities, while employers sought more casual attachments in order to reduce costs and increase their capacity to respond to rapidly changing market conditions.

For the economy as a whole, wages remained more or less constant, after adjusting for inflation. This is explained, in part, by the large number of young workers, the slower growth of labour demand in manufacturing compared to services, and insufficient investment in productivity enhancement. Family incomes rose, but only because more family members had jobs. Younger families saw little improvement in their incomes, and were worse off than comparable families in previous generations. Families headed by elderly persons made notable gains during the 1980s, primarily through the enrichment of government transfer programs. Nevertheless, the elderly still have low incomes compared to other families.

The Impact of the Recession

The 1990-91 recession had a severe impact on Ontario. Job losses were higher than in any recession since the 1930s. Ontario's job losses accounted for about 80 per cent of the national total. One worker out of every ten is now unemployed, and workers unemployed for more than six months now account for 22 per cent of total unemployment, compared to 14 per cent last year.

The burden of unemployment has fallen especially hard on workers with lower levels of education and on those in low-paying occupations. For example, many clerical workers were affected by this recession. Workers in jobs requiring high levels of education have generally fared better.

The 1992-95 Outlook

Over the next several years, unemployment is expected to decline slowly. The labour force will continue to expand and will become more diverse. High immigration levels and efforts to improve opportunities for aboriginals, racial minorities, and women will contribute to this change. The number of workers with high levels of education will continue to rise, building on the substantial gains of the past two decades. However, labour market partners will need to continue to work together to ensure enhanced opportunities and educational upgrading for people with low skill levels and other disadvantages. Improved levels of education and training will be a key factor in Ontario's ability to achieve equitable structural change.

II. THE LABOUR MARKET OUTLOOK

Structural Change Over the Past Decade

The Ontario labour force experienced significant structural change over the past decade.

In 1991, 72 per cent of workers are employed in service-producing industries, up from 65 per cent in 1981. Over the 1983-89 period, average annual employment growth was 6.2 per cent for the advanced service industries, such as engineering, computer services, consulting, advertising and architecture. Employment growth averaged 4.9 per cent for business services, such as finance, insurance and legal services. In terms of employment, the business services sector in Ontario is now larger than the automotive industry. Within manufacturing, employment growth was strong in auto assembly, auto parts, and furniture, but was negative in such industries as rubber, metal fabricating, and petroleum refining. Employment also declined in agriculture and mining.

These changes were accompanied by changes in the occupational distribution of the Ontario workforce. Over the 1980s, the fastest growing occupational group was management and administration. There was fairly rapid growth in clerical jobs for women. Slower growing occupations included machining and farming.

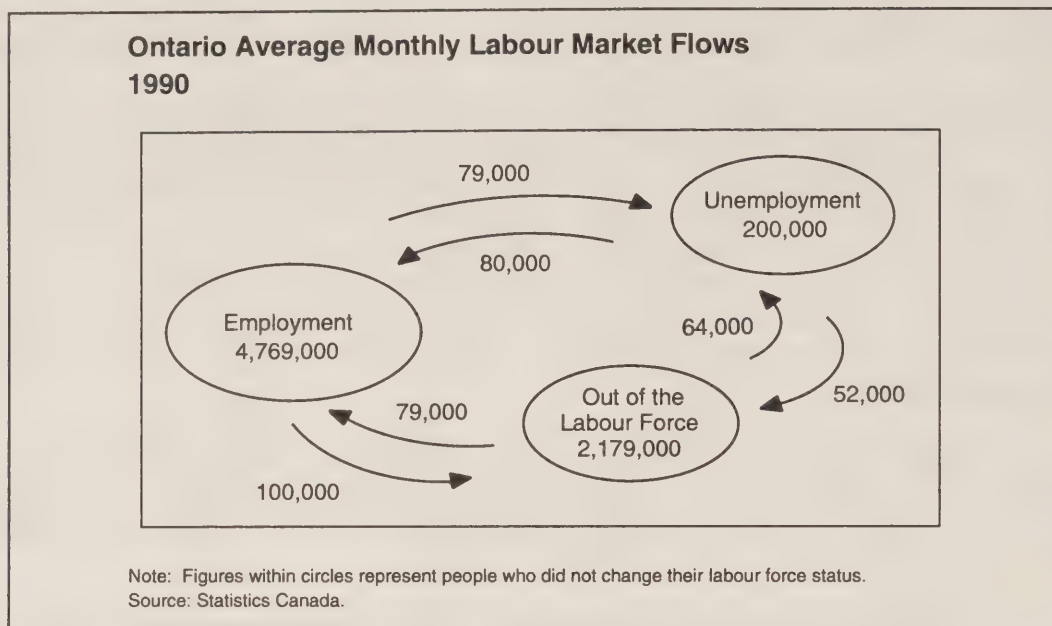
The age profile of the workforce changed sharply. In 1991, workers under the age of 25 account for 18 per cent of the labour force, compared to 25 per cent in 1981. The average age of the workforce was reduced in the late 1970s and early 1980s by the large cohorts at the end of the Baby Boom who were being absorbed into the labour market. With smaller numbers of young entrants, the labour force is now gradually aging.

Women greatly expanded their role in the paid labour force. In 1991, women fill approximately 46 per cent of all jobs in the Ontario economy, compared to 42 per cent a decade ago. The female labour force participation rate increased from 56 per cent at the beginning of the 1980s, to 61 per cent at the beginning of the 1990s. By comparison, the male participation rate remained relatively constant at about 79 per cent, before declining in the 1990-91 recession. Over 64 per cent of women with pre-school age children now participate in the labour market.

The geographical distribution of the labour force changed as well, following changes in the distribution of the population as a whole. With a booming economy and high levels of net migration, the Greater Toronto Area grew from a population of 3.4 million in 1981 to an estimated 4.0 million in 1990. This area now accounts for 41 per cent of the province's population and 43 per cent of its labour force. In contrast, Northern Ontario experienced a slight decline in population.

These trends reveal a labour force that is adjusting dynamically to the needs of both workers and employers. Change in the labour market takes place through thousands of individual employment decisions. About 450,000 people change their labour force status in Ontario every month. People enter and exit the labour market for a variety of reasons. Young people tend to be quite flexible in their labour force attachment and move back and forth freely among school, part-time employment, and full-time employment. Women tend to enter and exit the labour force more frequently than men, mainly for family reasons.

In 1990, almost 60 per cent of workers had been in their jobs for less than six years. The flow of individuals from one job to another, and from one labour market status to another, is influenced by factors such as age, education, and experience. Increasingly, opportunities for further education and training are a key consideration in a person's employment decision.



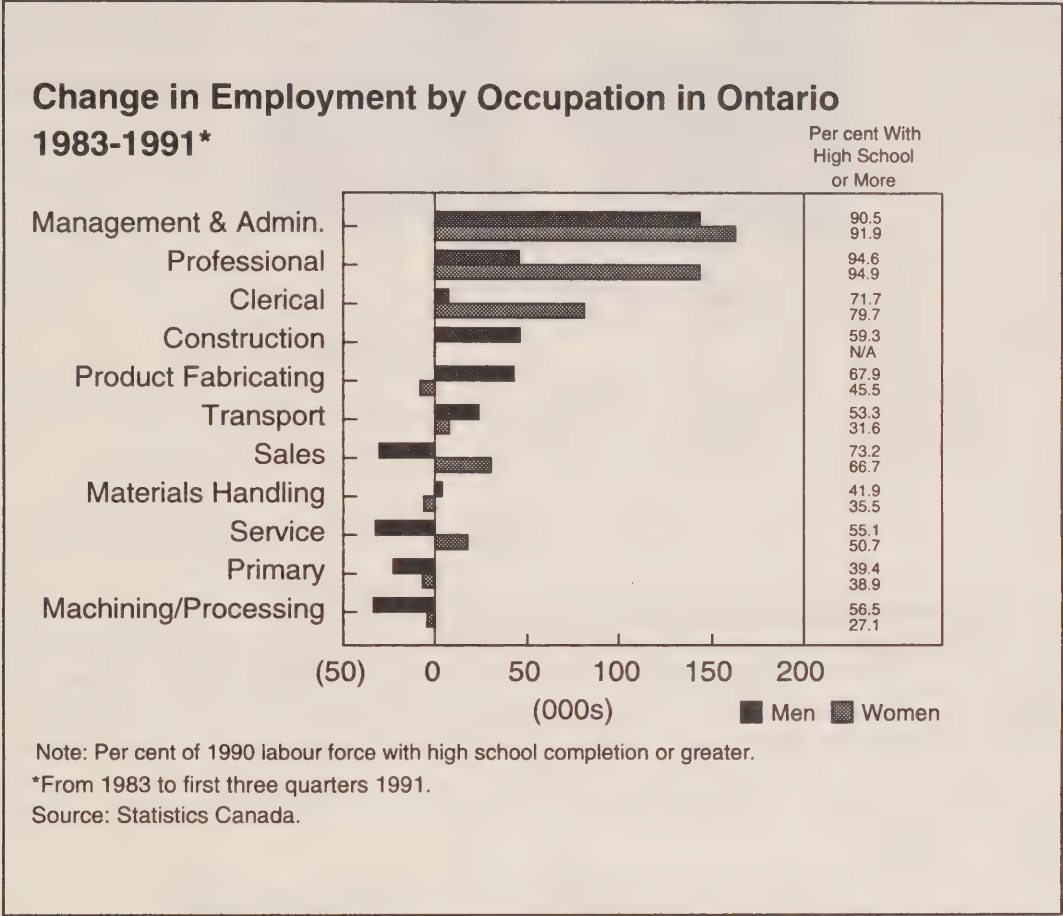
Strongest Growth in Occupations Requiring Higher Levels of Education

Since 1983, job growth in Ontario has been concentrated in highly paid, knowledge-intensive occupations.

Over the 1983 to 1991 period, the participation of women in the workforce increased steadily, and employment opportunities were closely linked with educational achievement. The fastest growing occupation for women was management and administration, an area where 92 per cent of the female workforce has completed high school. The second fastest growing group for women was professional occupations, such as nursing, teaching and law. While women managers and professionals have earnings well below their male counterparts, these are the highest paid occupations for women.

Occupations requiring higher levels of education also grew the fastest for men, with management occupations showing the greatest growth. Growth in professional fields was less pronounced, with much of it concentrated in natural science and engineering. Areas of declining employment, such as services and machining/processing, had less educated workforces. However, there were still good employment opportunities for men in some areas that did not require significant formal education. These included skilled occupations in construction, fabricating, and transportation.

The working experiences of men and women differ in a number of respects. Female workers are paid significantly less than male workers in the same occupations. Men have experienced higher job losses than women. For men, job losses since 1983 have occurred in both low and high paying occupations, while job losses for women have been concentrated mainly in lower paying, lower educated primary jobs such as farming, and materials handling.



One-Third of Ontario Workers Are in "Non-Standard" Jobs

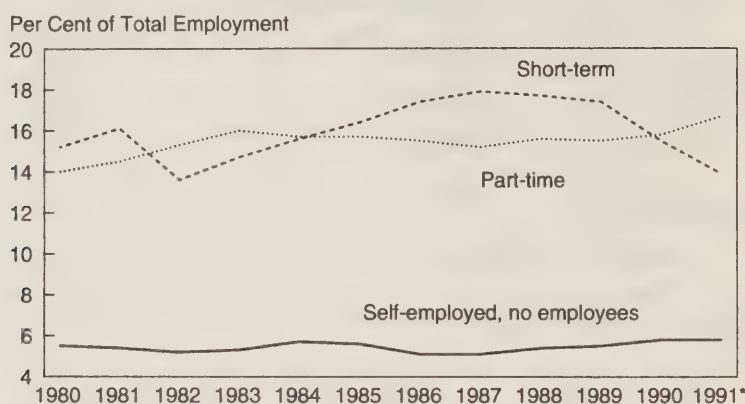
About 32 per cent of the labour force works in non-standard jobs. This category includes part-time jobs, jobs whose duration is less than seven months, and work by the self-employed who do not themselves have employees. The share of non-standard employment has been increasing slowly (the comparable figure in 1975 was 29 per cent).

The economic recovery and expansion of the mid-1980s brought a noticeable increase in the number of short-term job attachments. However, part-time employment remained constant between 1983 and 1990, at just under 16 per cent of total employment.

During recessions, the number of temporary jobs declines, and the number of part-time jobs rises. In some cases, this reflects reductions in the hours of full-time employees, or reluctance by employers to take on new full-time staff. In 1991, 22 per cent of all part-time workers in Ontario indicated they would like a full-time job if one were available.

In many cases, non-standard forms of employment are the workers' preferred choice because they provide greater flexibility for managing work, family and social responsibilities. However, employees in these kinds of jobs generally have less job security than those in permanent, full-time jobs, and are likely to turn to government, rather than their employer, for retraining, income support, pensions and other forms of assistance.

Non-standard Employment in Ontario



* First ten months.

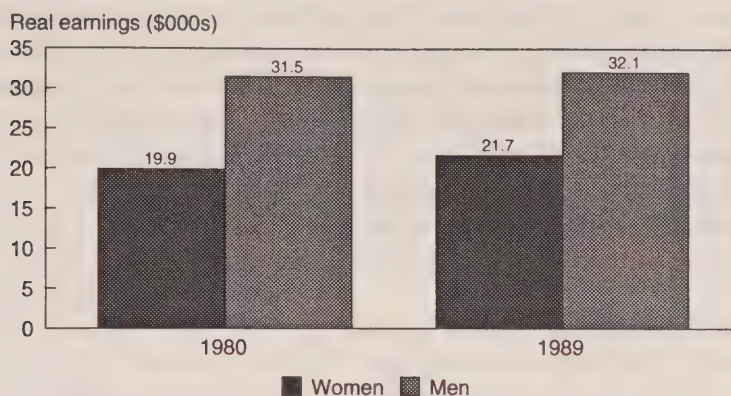
Source: Statistics Canada.

Real Wages Have Been Flat

Average earnings at the end of the 1980s were unchanged from the beginning of the decade, after adjusting for inflation. Earnings from the average full-time, full-year job were \$18,389 in 1980 and \$32,513 in 1989. After adjusting for inflation (1986 dollars), the earnings were \$27,611 in 1980 and \$27,932 in 1989.

Women's earnings grew faster than men's, largely because of the growth of women's employment in the higher paid professional and managerial occupations. Average earnings of females in full-time, full-year jobs increased from 63.1 per cent of the male level in 1980 to 67.4 per cent in 1989. The average earnings in 1989 were \$37,417 for men and \$25,205 for women. The gap is attributed to a number of factors, including total hours worked, years of work experience, educational attainment, and gender-based discrimination.

Ontario Real Average Earnings



Note: Earnings in constant 1986 dollars.
Source: Statistics Canada.

Income Shares Remain Fairly Constant

There have been no significant shifts over recent decades in the share of total income captured by either the poorest 20 per cent or the richest 20 per cent of families in Ontario. In 1989, the poorest 20 per cent of families accounted for about 7 per cent of total family income in the province compared to about 6.5 per cent in the early 1970s. The richest 20 per cent of families took about 39 per cent of total family income, compared to almost 38 per cent two decades ago.

Index of Total Family Income by Quintiles(Q) in Ontario



Source: Statistics Canada.

Growth of Incomes of Younger Families Is Lagging

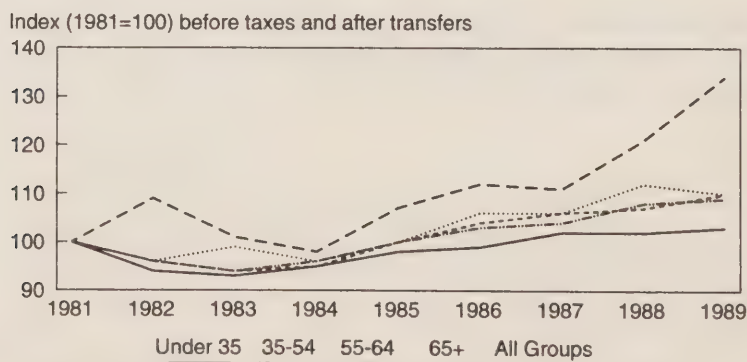
Over the 1981-89 period, the median family income in Ontario increased from about \$46,500 to \$50,500 (1989 dollars), a rise of 9 per cent. The median family income level is over two times that of the poverty income level for a family of three living in large metropolitan centres. In 1989, Statistics Canada's low income cutoff—commonly referred to as the poverty line—was just over \$23,000 for a family of three living in large metropolitan areas. The cutoff is higher for larger families and lower for families in smaller communities where housing costs are often lower. The growth of two-earner families helped raise family incomes and soften the impact of slow growth in individual earnings. Persons in families account for about 85 per cent of the population.

Younger families experienced slower income growth than older families. The median income for families headed by persons under age 35 grew by about 3 per cent during the 1980s, compared with 10 per cent for families headed by persons 35-64, and 34 per cent for families headed by elderly persons.

The large number of young Baby Boomers in the labour market in the early 1980s tended to depress the earnings of the youngest age group. This group typically has less seniority when there are layoffs. In addition, strong growth in the number of lone-parent families has contributed to the low incomes of younger families. Roughly 30 per cent of all lone-parent families in Ontario were headed by women under age 35 in 1988.

Incomes for families headed by persons aged 65+ improved significantly in the 1981-89 period, primarily as a result of increased government transfers to seniors. In spite of the increase, elderly families still experience the lowest level of family income compared to other family groups. In 1989, the median income of elderly families was just over \$35,100. This was 30 per cent below the provincial median of \$50,500. However, the needs of elderly families are often less than those of younger families, and their assets are frequently more.

**Ontario Median Real Family Income
by Age of Head of Family**



Source: Statistics Canada and Ontario Ministry of Treasury and Economics.

The Impact of the 1990-91 Recession

The recent recession has hit Ontario harder than any other province. Between February 1990 and February 1991, total employment in Ontario dropped by 260,000. Although Ontario accounts for 38 per cent of the national labour force, the province accounted for roughly 80 per cent of the jobs lost in Canada during this period.

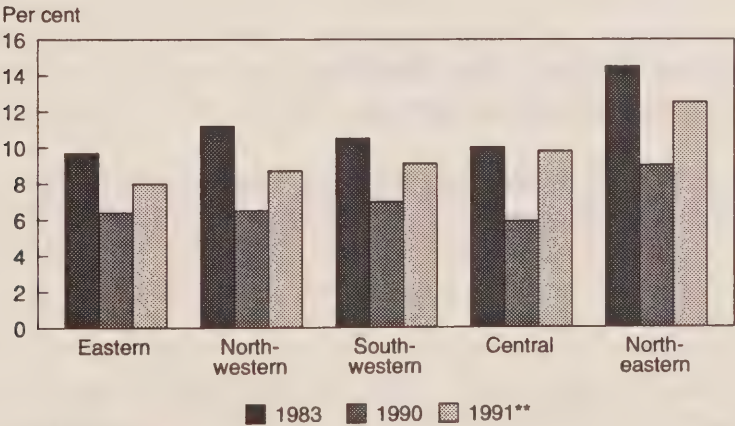
The unemployment rate almost doubled during the recession, from 5.2 per cent in April 1990 to 10.2 per cent in June 1991. The number of unemployed workers rose from 272,000 to 544,000. Since the peak in June 1991, the unemployment rate has begun to decline slowly, although it increased slightly in October 1991.

All Regions Affected by Rise in Unemployment

The recession has been more widespread than downturns in the past, affecting even communities with well-diversified economies such as the Greater Toronto Area. In Central Ontario, the unemployment rate jumped from 5.9 per cent in 1990 to 9.8 per cent in 1991, the largest increase among the regions.

Both Central and Southwestern Ontario are heavily dependent on manufacturing and the auto industry in particular, sectors which have been adversely affected by the downturn in the North American auto industry. Eastern Ontario, which recorded an unemployment rate of 8.0 per cent in 1991, has been hard hit by layoffs in the chemical and textile industries. Across the North, communities based on lumbering and the pulp and paper industry are experiencing difficulties due to low prices, overcapacity and increased recycling. Northeastern Ontario has been hard hit by iron and uranium mine closures, as well as difficulties in the steel industry.

Ontario Regional Unemployment Rates



** First ten months.
Source: Statistics Canada.

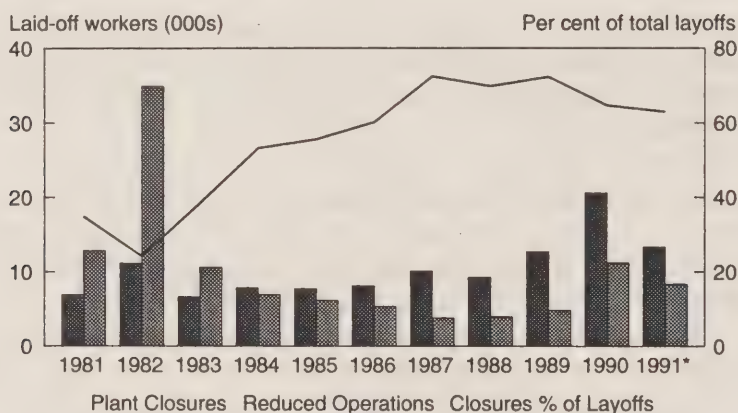
More Permanent Plant Closures

The 1990-91 recession in Ontario also differed from earlier recessions in the extent of plant closures. Layoffs due to plant closures over the past year have been almost double that experienced during the last recession.

In 1990, 20,554 workers lost jobs in permanent plant closures involving 50 or more workers. By comparison, 11,150 workers were affected by permanent shutdowns in all of 1982.

While major layoffs account for only a small share of persons entering unemployment, these data suggest that many workers will not be recalled to their former positions and will need to be retrained for new types of work.

Major Layoffs in Ontario



* First ten months.

Source: Ontario Ministry of Labour.

Unemployment Rates Highest for Workers Who Have Not Completed High School

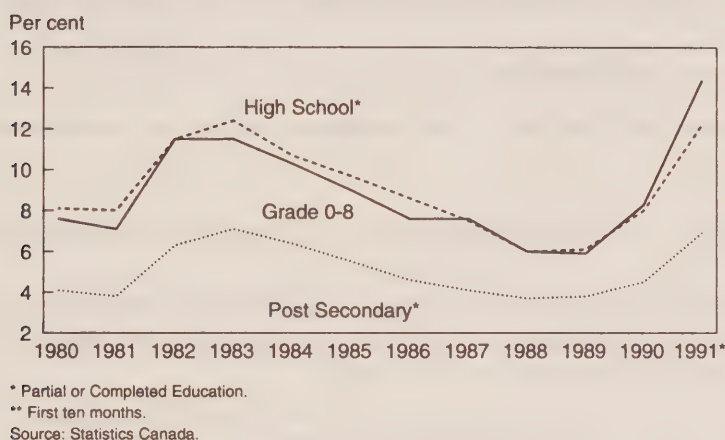
The impact of job losses on occupations requiring lower education levels can be seen in the unemployment rates for less educated workers. In 1991, those who never reached high school had an unemployment rate of 14.4 per cent, much higher than the 11.5 per cent peak reached in 1983. The unemployment rate for people with a partial or completed post-secondary education is 6.9 per cent so far in 1991.

More than a quarter of the labour force—29 per cent of males and 25 per cent of females—has not completed high school. Many of these workers are 45 years of age and over. Since older workers generally have broader work experience to offer employers, they tend to have lower unemployment than younger workers. In 1991, the unemployment rate for older workers without a high school diploma was 9.7 per cent, compared to 20 per cent for young workers without a high school diploma.

Prompted by reduced job prospects and employers' increasing demand for more highly educated workers, many young workers are returning to school to complete or upgrade their education. Over the last ten years, the number of students re-entering day school after dropping out has more than doubled. Between 1980 and 1989, the proportion of total secondary school enrolment represented by students returning to school rose from 3 per cent to 8 per cent.

There has also been a dramatic increase in the number of persons 25 years and older enrolled full time in college and university programs. In 1990, 20 per cent of university full-time enrolment consisted of such non-traditional students.

**Ontario Unemployment Rate
by Educational Achievement**



Long-Term Unemployment Increasing for Both Men and Women

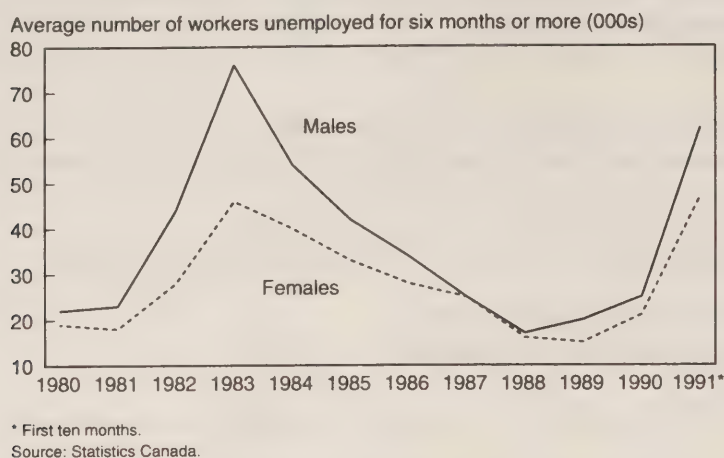
More than 100,000 workers in Ontario have been looking for jobs for more than six months. This number will grow in 1992 since many of those laid-off in the past six months will not find new jobs immediately, despite the upturn in the economy. The peak in the number of long-term unemployed is expected to exceed the 121,000 recorded in 1983 following the 1981-82 recession.

Already, more women are long-term unemployed than in 1983, because fewer women are withdrawing from the labour force when laid off, and because 1991 job losses were high in some female-dominated occupations such as clerical work.

Most people who have been unemployed more than six months are between 25 and 44 years of age. In 1991, this age group accounted for 57 per cent of long-term unemployment, up from 45 per cent in 1983. By comparison, the long-term unemployed in 1983 were often under age 25. The youth share has declined from 31 per cent in 1983 to 17 per cent in 1991.

The average long-term unemployed worker in 1991 has not worked for 47 weeks.

Ontario Long-Term Unemployment



Greater Reliance on Unemployment Insurance and Social Assistance

Eleven per cent of the adult population age 15 and over in Ontario is now receiving benefits under either the Unemployment Insurance or social assistance programs. This figure does not include dependants such as spouses and children.

The share of the adult population receiving benefits is higher than at any time since the 1930s. (The 1983 peak was 7.7 per cent.)

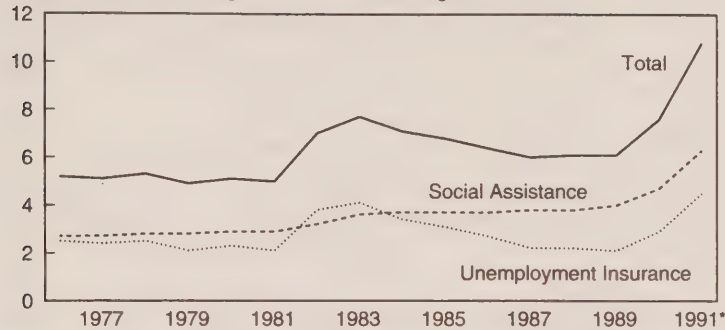
The major cause of the recent increase in social assistance cases has been the rise in unemployment. Other factors include growth in the number of lone-parent families, a refugee determination system that encourages claimants to seek social assistance as soon as they arrive in Canada, and rule changes aimed at promoting fairness in the social assistance delivery system. Changes in the federal Unemployment Insurance program that took effect in November 1990 have caused some workers to exhaust their U.I. benefits sooner than they would have under the old rules. Many of these workers fall back on savings or a spouse's earnings for income support, but others — estimated at 10-13 per cent of U.I. exhaustees — turn to social assistance.

The share of the population receiving U.I. benefits follows the unemployment rate fairly closely. This is true to a lesser extent for the social assistance caseload, which includes many persons not normally expected to work, notably those with serious disabilities.

Sixty-two per cent of persons receiving unemployment insurance are male, and the remaining 38 per cent are female. Twenty five per cent of persons in households receiving social assistance are adult males, while 33 per cent are adult females; another 42 per cent are children.

Ontario Unemployment Insurance and Social Assistance Recipients

Per cent of population age 15 and over receiving benefits



* First eight months.

Source: Statistics Canada and Ontario Ministry of Community and Social Services.

The 1992-95 Outlook

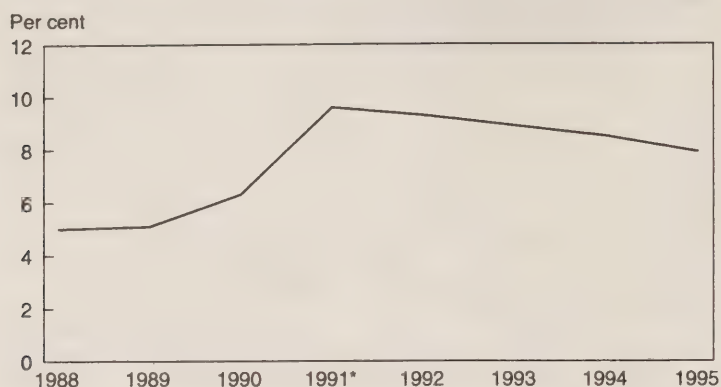
Ontario's employment levels will begin to improve due to modest economic recovery and job gains during the 1992-95 period.

Unemployment Rate to Decline Slowly

Ontario's unemployment rate is expected to average 9.6 per cent in 1991, up from 6.3 per cent in 1990. So far in 1991, the unemployment rate for men is 10.1 per cent, a full percentage point higher than the rate for women. Throughout the 1980s, women's unemployment rates exceeded those of men. The youth unemployment rate has risen to an average of 15.6 per cent for the first ten months of 1991, compared to an average of 10.5 per cent a year ago.

In 1992, the unemployment rate is forecast to average 9.3 per cent, easing only slightly as discouraged workers return to the labour force. The rate is expected to remain above 8 per cent until 1995, given the slow economic recovery, high immigration and continuing increases in participation rates.

Ontario Unemployment Rate



* Estimate for 1991.

Source: Statistics Canada and Ontario Ministry of Treasury and Economics.

Long-Term Unemployment Will Persist During the Economic Recovery

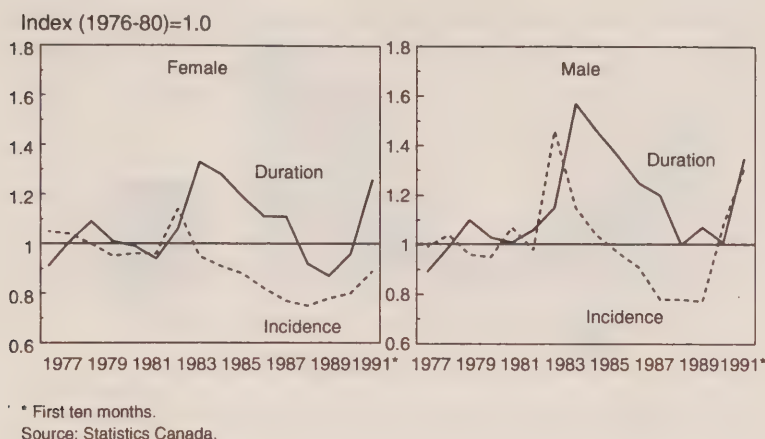
Unemployment has two components: the incidence of unemployment, i.e. the probability that a worker will become unemployed, and the duration of unemployment.

During a recession, both the incidence and the duration of unemployment jump sharply. The average duration of unemployment increased from 13.8 weeks in 1990 to 18.2 weeks in 1991. The incidence of unemployment rose from 23.7 per cent of the labour force in 1990 to 27.5 per cent in 1991. The sharper increase in incidence for men than for women reflects primarily the job losses in the male-dominated manufacturing and construction industries. The incidence of unemployment may return to normal levels fairly quickly after a recovery begins as layoffs decrease and job opportunities grow. However, the duration of unemployment may remain high for several years. Following the 1981-82 recession, the average duration of unemployment peaked at 20.4 weeks and did not return to pre-recession levels until 1988.

Unlike the previous recession, when women were unemployed an average of 18.8 weeks compared to 21.6 weeks for men, the duration of female unemployment in 1991 is almost equal to that of men, 17.8 and 18.6 weeks respectively.

The problem of long-term unemployment is likely to persist until the mid-1990s. The proportion of unemployment that is long-term (22 per cent) is, however, lower in Ontario than in other major industrialized OECD jurisdictions, except the United States.

Ontario Incidence and Average Duration of Unemployment



Labour Force Growing and Becoming More Diverse

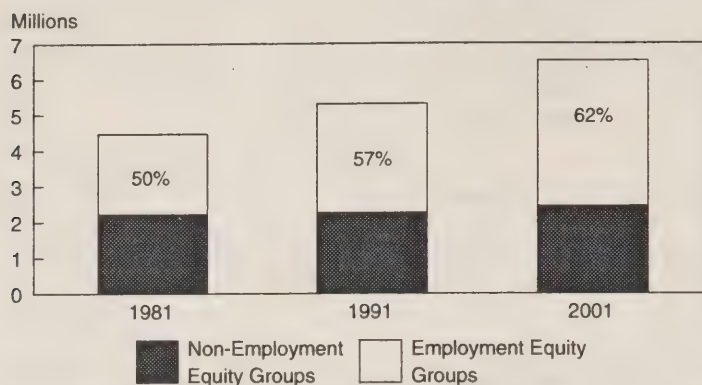
During the 1990s, Ontario's labour force will grow at an average annual rate of 2.0 per cent per year — about the same as the average annual growth during the 1980s. Labour force growth will be due primarily to the large number of new immigrants seeking work, and to continuing increases in the labour force participation of women.

Currently, about 61 per cent of all Ontario women age 15 and over participate in the labour market, up from about 56 per cent in 1981. Female participation rates are expected to keep growing in the 1990s. In contrast, the participation of men in the labour force has fallen from 80 per cent in 1981 to its current level of 77 per cent.

Under current federal immigration targets, immigration to Ontario in the 1992-95 period will be about 125,000 people per year — 12,000 more than in 1990, and three times the level of 1984. About 55 per cent of immigrants to Ontario intend to enter the labour market immediately on arrival, but a larger percentage eventually does so. Most forecasts of slower labour force growth and labour supply shortages have not incorporated the federal government's immigration planning targets for the 1991-95 period.

Based on projections, employment equity groups — aboriginals, persons with disabilities, racial minorities and women — will make up about 62 per cent of the Ontario labour force in 2001, compared to 57 per cent today.

Ontario Labour Force



Source: Statistics Canada and Ontario Ministry of Treasury and Economics.

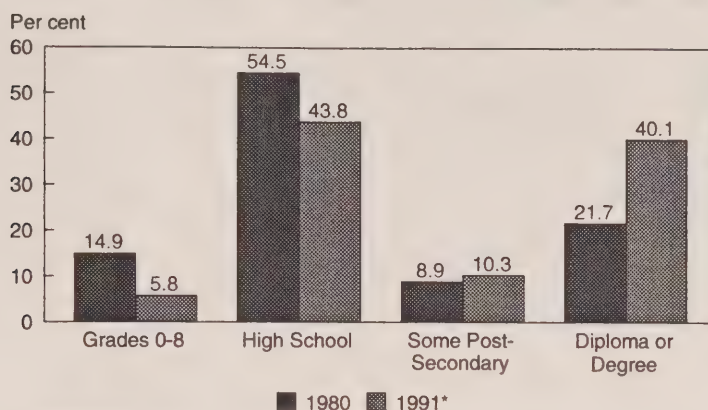
Education Level of the Labour Force Is Rising

Half of Ontario's labour force have at least one year of university or college education—up from roughly 30 per cent in 1980. This reflects the major investments made in post-secondary education over the past quarter century, as well as the aging of the labour force.

The increase in the educational level of Ontario's labour force during the 1980s has eliminated the long-standing gap between the educational levels of its adult labour force and that of the United States. Canada also ranks high on an international scale in terms of its technical skills. The OECD's 1991 report on main science and technology indicators notes that Canada is competitive with other industrialized jurisdictions in terms of R&D scientists, engineers, and researchers. With 38 per cent of the national labour force, Ontario contributes substantially to the country's international standing.

Higher levels of education, skills upgrading and lifelong learning are important for the well-being of Ontario workers and the productivity of the province's workplaces. Ontario's high and increasing level of educational attainment will continue to be one of its strengths for economic renewal.

Ontario's Labour Force by Educational Attainment



* First ten months.
Source: Statistics Canada.

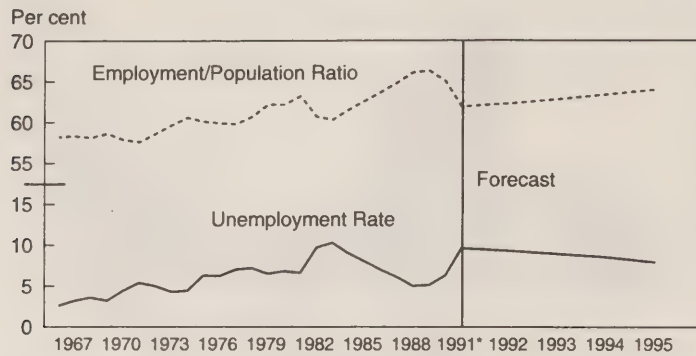
Modest Job Growth, Yet High Unemployment

In 1989, Ontario had a higher proportion of its working-age population employed than any other major industrial jurisdiction. The Ontario employment to population ratio was 66 per cent, compared to 63 per cent for the United States, 61 per cent for Japan, and 52 per cent for Germany.

Ontario's employment and population will continue to grow modestly during the 1992-95 period. Employment growth is forecast to range from 2.1 per cent in 1992 to 2.7 per cent in 1995, while the working-age population is expected to increase at about 1.5 per cent annually until the mid-1990s. However, unemployment is expected to remain high by historical standards, and will decline slowly from 9.3 per cent in 1992, to 7.9 per cent in 1995.

The 1990s will see co-existence of high employment levels and high unemployment. This is usually seen by economists as a sign of structural mismatches in the labour market. Workers are available, but they lack the qualifications to be considered for the jobs that are vacant. In 1989, 38 per cent of Ontarians aged 16 to 69 had reading skills that were not sufficient to meet everyday demands, and 36 per cent were not able to deal with common numeracy tasks. As the employment and occupational mix of the labour force continues to change, both the basic and technical skill levels of the workforce must rise. Increased flexibility of the labour force and improved levels of education and training will be key factors in achieving economic renewal in Ontario.

Ontario Unemployment Rate and Employment-to-Working Age Population Ratio



* First ten months.

Source: Statistics Canada and Ontario Ministry of Treasury and Economics.

III. SECTORAL AND COMMUNITY ECONOMIC OUTLOOK

Summary

This section of the Ontario Economic Outlook reviews the performance of major sectors that make up the provincial economy. Included in the discussion of each sector, or grouping of industries, is an historical overview, an examination of the impact of the recession and a medium-term outlook. The relationship between sectoral shifts and community economic development is also covered. In addition, there is a brief discussion of the shifts in demand for infrastructure that have been taking place as knowledge and innovation become more important to all sectors of the economy.

The Pressures for Structural Change

An important theme throughout this outlook is that, along with the sharp cyclical swings of the past decade, the Ontario economy has been undergoing major structural changes. Economic restructuring is a continuous process in modern economies. The forces that lead to restructuring include changes in technology, regulation, demographics, consumer preferences and international market conditions.

The pace of restructuring in Ontario has been accelerated by a number of additional factors: particularly, new types of competition based on innovation, technology and strategic partnerships between firms, workers, suppliers and customers; changing trade relationships; the high value of the Canadian dollar; and global competition for investment.

Major Trends in the 1980s

The rapid pace of restructuring has led to significant adjustment pressures for many industries, individuals and communities in Ontario. The extent of industrial restructuring is measured by shifts in key economic indicators, such as employment, output and trade patterns.

During the 1980s, Ontario's share of North American auto assembly and parts capacity increased dramatically, contributing substantially to the integration of Ontario's manufacturing sector into the Great Lakes economy.

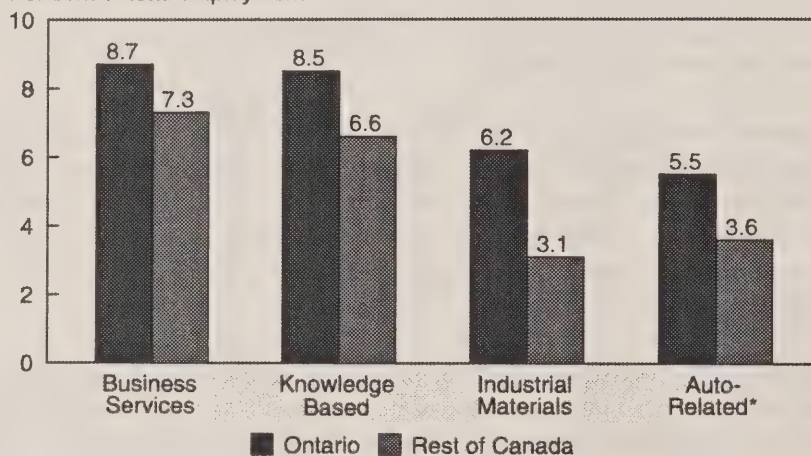
Ontario's economy has been slowly shifting away from the production of consumer products such as furniture, carpets, and shoes, towards the higher value-added business services and knowledge-based industries such as engineering, communications equipment, aerospace and publishing. As a result, our trading relationship with other countries is also changing. We are importing more consumer products, but at the same time exporting more high technology goods and services.

The relative share of agriculture, food and resource industries in the Ontario economy declined during the 1980s, reflecting slow growth of demand, increasing supply, technological change and low prices for these products on world markets.

These structural shifts over the past decade have increased the differences between Ontario's economy and that of the rest of Canada. Ontario has a larger proportion of the industries which grew most rapidly; in particular, business services, knowledge-based industries and the auto sector.

Ontario's Sectoral Strengths, 1990

Per cent of total employment

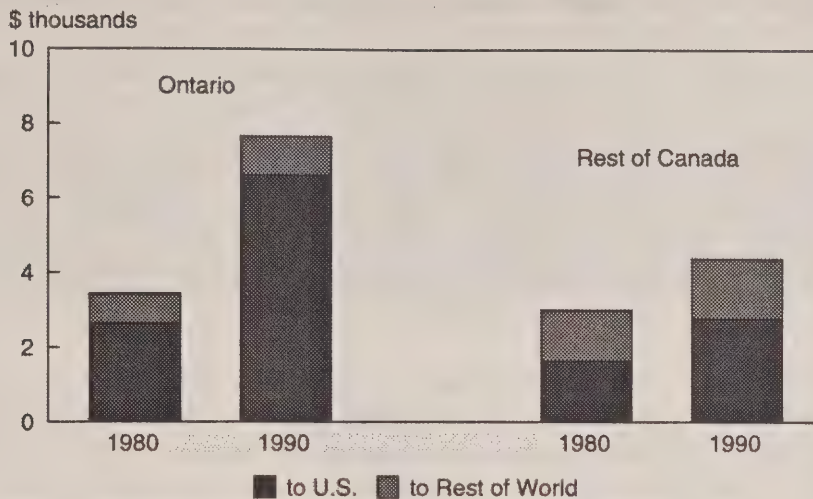


* Includes assembly, parts, dealers, gasoline service stations and other related distributors.

Source: Statistics Canada and Ontario Ministry of Treasury and Economics.

Ontario has also become much more export-oriented than the rest of Canada, and sends a larger proportion of its exports to the United States.

International Exports per Capita, 1980 & 1990



Source: Statistics Canada and Ontario Ministry of Industry, Trade and Technology.

These sectoral shifts have had a major impact on community growth patterns in Ontario. Between 1983 and 1989, Central Ontario benefited from exceptional growth in the auto sector, strong growth in financial services and knowledge-based industries, and a boom in construction. Metropolitan Toronto and the four surrounding municipalities — the Greater Toronto Area — continued as the growth pole in a larger industrial corridor that extends south to Windsor-Detroit and Buffalo, and east to Ottawa-Montreal. Rural and resource communities were less able to capitalize on growth in the 1980s. Many grew at less than the provincial average, with a number of communities experiencing a loss in population.

The 1992-95 Outlook

Over the 1992-95 period, the Ontario economy will experience a moderate recovery with a very different composition of growth from that of the mid-1980s.

Knowledge-based industries, some **emerging industries** and especially **business services** share a similar positive outlook. Throughout the forecast period, these sectors will grow faster than the economy as a whole. The stepped-up demand for business modernization and investment will spur growth in these sectors. They will play a key role in the transition of all sectors of the economy toward higher value-added production of goods and services. The business services sector is expected to become more closely integrated with the Great Lakes market. Much of the impetus for further integration comes from the need to meet new demands from an internationally-oriented manufacturing sector.

Construction, and the auto sector (including dealerships and gasoline retailers), will not contribute as much to growth as in the 1983-1989 period. The outlook is for construction to grow in line with the economy and for the auto sector to grow only slightly faster. Rapid growth in residential construction is expected to be offset by weak commercial construction. North American auto demand appears to have matured, so that the auto sector recovery will be weaker than in the mid-1980s. Slower growth in auto sales will put pressure on the industry to increase quality and reduce costs to attract customers. Auto parts producers face increasing responsibility for product development, quality and cost control.

At the same time, technological change is allowing manufacturers to reduce materials consumption in pursuit of productivity growth. This will constrain growth in **industrial materials** and **resource-based industries**. Growth in demand for resources will also be weakened by competition within the industrial materials sector leading to increased material substitution. The environmental emphasis on reducing, reusing and recycling will also slow consumption of resources.

Moderate growth is expected in the **consumer products and distribution** and **tourism and hospitality sectors**. The **agriculture and food** sector is expected to expand more slowly than the economy. These industries share the need to respond to changing consumer demands and increasing import penetration. The restructuring that was particularly evident in manufacturing throughout the 1980s has spread to the consumer products and distribution sector. Cross-border competition will continue to propel the consumer products and distribution system (trucking, wholesale and retail trade) to innovate and reduce costs while improving variety and service to meet U.S. competition.

The same forces that are affecting industrial sectors will also shape community economic development. The scope of the recovery in many **rural and northern communities** will be influenced by modest growth in agriculture, continued weakness in the resource sector, and the likely persistence of low international prices. The **401 corridor**, and the **Greater Toronto Area** in particular, will continue to be a magnet for in-migration. However, growth will not be as explosive as it was between 1984 and 1988 due to slower growth in head offices, financial services, and commercial construction.

III. SECTORAL AND COMMUNITY ECONOMIC OUTLOOK

Infrastructure Provides Foundation for Economic Growth

All segments of Ontario's economy are dependent on its extensive and efficient physical and social infrastructure. Public and private investments in infrastructure influence business location decisions and have a positive impact on an economy's capacity to generate incomes and jobs. Infrastructure improvements also have a positive impact on the environment and on the quality of life. Social infrastructure, including education, has expanded more rapidly in the past decade than physical infrastructure.

Physical and Social Infrastructure Sector				
	Average Weekly Earnings ^a	Share of Total Employment	Employment Growth annual rate	
	1990	1990	1983-89	1990
	\$	%	%	%
Transportation, Communications & Utilities ^b	625	6.2	1.7	5.5
Education, Health & Welfare ^c	542	14.8	3.2	2.4
Public Administration ^d	698	6.0	1.1	0.6
Total	596	27.0	2.4	2.7
Economy	520	100.0	2.3	-2.9

^a Excluding overtime.

^b Excluding trucking and air transportation.

^c Excluding universities.

^d Federal, provincial and local government.

Source: Statistics Canada, 72-002.

With the economy shifting towards information-intensive production and distribution, the pressure for physical infrastructure (telecommunications, energy, transportation and water and sewer networks) is also shifting. This section looks at some of the most prominent of these shifts in public and private **physical infrastructure**.

Telecommunications services are a rapidly growing input in the higher growth sectors of the economy. For industries such as finance, business services, tourism and communications, investment in telecommunications, both by the public networks and by the users themselves, constitutes a basic and increasingly important infrastructure.

The industry's network modernization programmes are substantially improving Ontario's technological infrastructure in terms of capability, reliability and flexibility. For example, 90 per cent of local switching equipment is expected to be converted to digital exchanges by 1994. Increasingly, the industry is deploying fibre optics in the telecommunications network.

Improved efficiency and modernization will continue to result in the introduction of new and enhanced telecommunication services.

Since 1986, long distance telephone rates have declined and the outlook for the 1990s is one of continued reduction and restructuring of rates.

Telecommunications Intensity By Major Users, Canada, 1971 to 1986

Sector	Telecom Intensity ^a		Average Annual Growth
	1971	1986	Real GDP
	%	%	%
Finance, Insurance & Real Estate	4.2	6.5	5.0
Wholesale/Retail Trade	2.7	5.3	4.9
Community, Personal and Business Services	2.4	4.7	6.6
Transportation & Storage	1.6	3.4	4.0
Communications	4.3	8.0	8.9
All Industries (Excl. Government)	0.6	1.5	4.5

^a Telecom intensity is defined as expenditure on telecommunications input as a proportion of total non-labour intermediate inputs.

Source: Dr. Dale Orr, Chief Economist, Bell Canada, "The Contribution of Telecommunications to Economic Growth", 1991.

Electricity accounts for an increasing share of total energy consumption, having risen from 13 per cent in 1973 to 18 per cent in 1989. Electricity consumption is expected to grow more slowly than the economy, reflecting increased emphasis on conservation and efficiency.

- Although consumption growth is slowing in some areas, office automation and the increasing use of appliances, electronics, and entertainment equipment in the home are increasing electricity consumption by the commercial and household sectors. This increase has only been partially offset by the declining energy intensity of the industrial sector with the shift in the economy away from resource-based industries.

The share of energy provided by **natural gas** has also risen, from 28 per cent in 1976 to 31 per cent in 1989. However, a slower recovery of the construction sector compared to the mid-1980s will result in a slower expansion of the local gas distribution network. Shifts in the economy towards electricity and natural gas have been at the expense of oil and coal.

Marine and rail transportation infrastructures have experienced declining utilization because of slow growth in resource production.

- The marine industry, which has been built up around the transportation of a small number of time-insensitive bulk goods such as wheat, iron ore, coal and limestone, has been in a downtrend for 20 years. During the 1980s, for example, cargo traffic through the Welland Canal fell by half.
- Tonnage of outgoing Ontario rail traffic declined by 25 per cent between 1980 and 1989, with significant declines in iron ore, nickel-copper ores, pulpwood logs, diesel fuel and limestone. Ontario's share of Canada's outgoing rail traffic fell from 25 to 18 per cent through the decade. Rail shipments from Ontario to the United States countered this trend, rising from 15 to 23 per cent in the decade.
- For the 1990s, the railways are focusing on their high-density traffic lines linking Ontario to national and U.S. markets and to Canadian and U.S. ports. Their traffic base is increasingly bulk commodities, new automobiles, and intermodal shipments (container and trailer loads of manufactured goods).

The need by industries such as autos and auto parts for just-in-time delivery illustrates the strategic importance of **highways**. Major highway improvement projects and plans include building Highway 407 north of Metro Toronto, widening the QEW between Stoney Creek and St. Catharines, completing Highway 403 west of Hamilton and between Burlington and Oakville, widening Highway 401 between Woodstock and London, and building Highway 416 south from Ottawa. Efficient road transportation links with the United States remain critical because of Ontario's economic orientation to the Great Lakes states. As well, the international **airport** network is increasingly important to meet business travel and air cargo needs effectively. The terminals at Pearson airport, for example, are being modernized to provide more efficient travel.

Along with this increasing pressure for roads and air travel, new concerns about air quality, energy efficiency and public access are expected to increase the focus on **public transit**, particularly in densely populated areas where traffic congestion limits the capacity of streets to move goods and people. While environmental concerns have increased awareness of the importance of upgraded levels of **sewage treatment** and **water quality**, Ontario's move to the principle of "pollution prevention" — which stresses the need to reduce and eliminate the discharge of toxic contaminants — will place more pressure on the sources of contaminants, rather than treatment at the "end of pipe".

Knowledge-Based and Emerging Industries to Support Recovery

The knowledge-based sector includes R&D-intensive, high-technology manufacturers, advanced services, universities, machinery and equipment manufacturers, cultural industries, and business and labour organizations. These industries are grouped together because knowledge is their primary input and the main factor determining their success. They depend on highly-educated, creative people and play a pivotal role in generating and spreading innovations in technology, products and workplace organization.

Knowledge-Based Sector

	Average Weekly Earnings ^a	Share of Total Employment	Employment Growth annual rate	
	1990	1990	1983-89	1990
	\$	%	%	%
Advanced Services ^b	698	2.5	6.2	-4.4
R & D-Intensive Mfg. ^c	669	2.1	3.0	-9.6
Machinery & Equipment Mfg. ^d	613	1.3	-0.6	-12.4
Business & Labour Organizations	570	0.4	-2.2	-16.9
Universities	569	1.6	2.4	4.6
Cultural ^e	556	0.5	1.5	8.3
Total	639	8.5	2.7	-5.5
Economy	520	100.0	2.3	-2.9

^a Excluding overtime.

^b Engineering, computer services, consulting, advertising and architecture.

^c Communications equipment, scientific equipment, aerospace, pharmaceutical and computer equipment.

^d Industrial and electrical.

^e Publishing, film and theatre.

Source: Statistics Canada, 72-002.

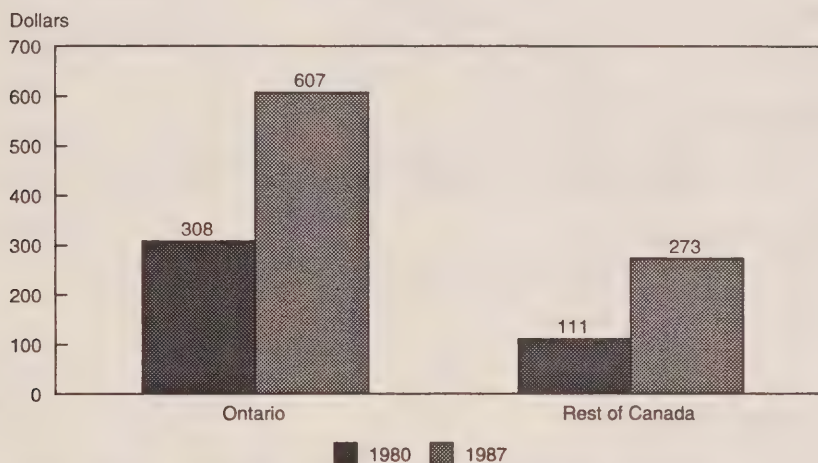
The knowledge-based sector remains at the forefront of technological change and will play a key role in transforming the Ontario economy towards higher value-added production. Advanced services, such as computer software and business consulting, are the largest component of the sector and are directly involved in business upgrading. R&D-intensive manufacturers produce technologically-sophisticated products used by business. Machinery and equipment producers are slowly developing flexible manufacturing processes that will help the economy move away from traditional mass production techniques. Universities are directly involved in spreading knowledge that workers can use in all industries. These knowledge-based industries are an integral part of the economic infrastructure, and thus are more important to the Ontario economy than is suggested by their 8.5 per cent share in total employment.

The knowledge-based sector also includes many of the new industries that will lead Ontario's future, such as environmental protection, biotechnology, medical instruments and optoelectronics. The environmental protection industry, for example, has expanded into a \$2 billion a year market with almost 30,000 employees, producing various pollution prevention and abatement and waste management goods and services.

Growth in knowledge-based industries—especially advanced services—has supported growth in major urban centres, such as the Greater Toronto Area and the Ottawa-Carleton region. The locational benefits of inter-firm linkages, ready pools of highly skilled labour and advanced infrastructure have helped attract and develop knowledge-based industries.

R&D-intensive manufacturers depend greatly on exports and have remained generally competitive. They export half of their production and sell another quarter to the rest of Canada. Ontario's dominant position in Canada is reflected in its nearly 60 per cent share of Canadian R&D-intensive manufacturing exports and relatively high exports per capita compared to the rest of Canada. Ontario's share of world export markets has remained relatively stable at around three per cent.

R&D-Intensive Manufacturing Exports Per capita, 1980 & 1987



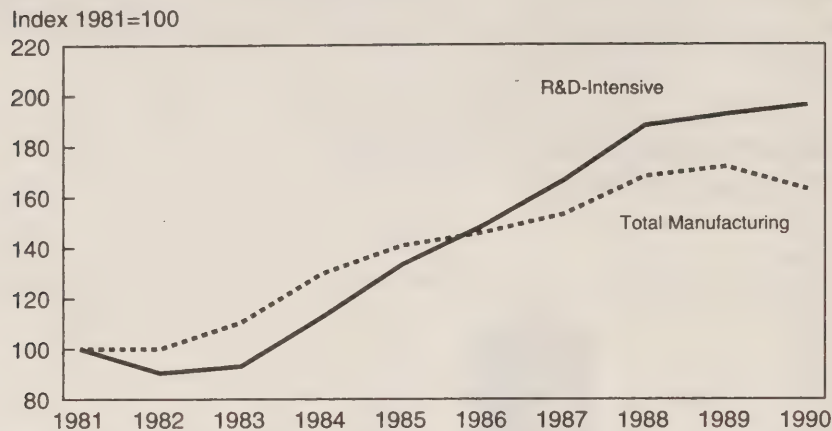
Source: Statistics Canada and Ontario Ministry of Industry, Trade and Technology.

R&D-intensive manufacturing shipments have increased rapidly—doubling since 1981—reflecting a strong growth trend similar to that in the United States. Contributing to the strong growth, telecommunications and computer equipment manufacturers have invested heavily in technology development. They account for a third of all industrial R&D performed in Ontario, including 61 per cent of the increasingly important software R&D.

Recession Impact

The knowledge-based sector experienced a 5.5 per cent decline in employment in 1990. The percentage drop was less than in manufacturing but greater than in the economy as a whole. However, within the sector some industries such as R&D-intensive manufacturing enjoyed continued growth in shipments during the recession.

Shipments of R&D-Intensive Manufacturing vs. Total Manufacturing, 1981-1990



Source: Statistics Canada.

Outlook and Issues: 1992-95

Continuing technological change, industrial restructuring and a recovery in North American machinery and equipment investment will sustain a positive outlook for knowledge-based industries. Growth in this sector will be stronger than the recovery in GDP.

Nevertheless, R&D-intensive and machinery and equipment manufacturers remain under pressure to improve technological performance to ensure growth. R&D intensity in relation to sales continues to lag behind that of competitors in the United States and abroad in most industries except communications and computer equipment. Improved performance in industry training also remains critical to ensure continued growth. Complementary investments in worker and management training will need to play a key role if gains in technology and investment are to be realized.

Business Services to Resume Strong Growth

The business services sector includes finance, insurance, employment agencies, lawyers, air transportation, accounting and the security services industries. This sector is a large and fast-growing component of the Ontario economy, whose efficiency in supplying everyday business needs has been a source of competitive strength. Rapid changes in information and communications technologies and office innovations are increasingly affecting business services and other industries. The upgrading of job skills is becoming necessary throughout the economy in order to keep up with technological change and ensure continued growth.

Business Services Sector

	Average Weekly Earnings ^a	Share of Total Employment	Employment Growth annual rate	
	1990	1990	1983-89	1990
	\$	%	%	%
Finance	564	3.8	5.4	1.8
Insurance Carriers	666	1.2	0.4	6.2
Accounting & Legal Services	618	1.0	5.2	3.6
Air Transportation	651	0.5	7.5	2.9
Employment Agencies	314	0.8	6.7	-26.1
Security Services	292	0.4	7.2	-1.0
Miscellaneous Services ^b	408	1.0	4.9	-1.1
Total	536	8.7	4.9	-1.3
Economy	520	100.0	2.3	-2.9

^a Excluding overtime.

^b Such as messenger and secretarial services.

Source: Statistics Canada, 72-002.

Over the past decade, employment in business services grew rapidly, averaging 4.9 per cent per year, compared to 2.3 per cent for Ontario as a whole. The high concentration of head offices has helped underpin business demand for services. Over two-thirds of Canada's top 500 corporations and many foreign affiliates are headquartered in Ontario, many in the Greater Toronto Area.

Most business services have enjoyed some insulation from foreign competition in home markets. Canadian and provincial regulatory policies place limits on foreign participation, while professional accreditation requirements exist in areas such as accounting and legal services. Many domestic firms enjoy a competitive edge based on proximity to and knowledge of local business customers. Nevertheless, increasing global competition in domestic and foreign markets will continue to challenge business service industries. Developments in communications and information technologies are reducing the barriers of distance in serving business customers.

While most business services operate largely in the domestic market, during the 1980s the banking and insurance industries, which are dominated by large, successful, Canadian-owned firms, have increased their orientation toward the North American market. Life insurance companies, for example, now earn about one-third of their premium income abroad, mainly in the United States.

Recession Impact

The business services sector was less affected by the recession than other industries, with employment edging down in 1990 by just 1.3 per cent. Some industries continued to grow, most notably the insurance and financial industries. After declining in 1990, employment in the security and legal services industries started to show signs of recovery in 1991. However, employment in air transportation has fallen in 1991, following strong gains in recent years.

Outlook and Issues: 1992-95

The business services sector is expected to grow faster than the economy as a whole, though not as quickly as during the previous economic expansion from 1983 to 1989.

As the Ontario economy becomes increasingly oriented to the U.S. market, new opportunities will arise for the Ontario business services sector. Finance and insurance industries are in the strongest position to benefit, given their experience in servicing Canadian-based firms and the beleaguered state of many competitor U.S. banks. Segments such as air transportation will face greater competitive challenges. Finally, others such as security and employment agencies will essentially retain their domestic market orientation. Growth in these industries will therefore depend largely on growth in the economy in general.

Developments in information and communications technologies are expanding the role of business services while intensifying global competitive pressures. As well, the streamlining of middle management and administrative functions in Ontario head offices will result in more contracting out and increased demand for specialized business services such as legal and accounting services.

Construction Recovery to be Led by Residential Activity

The construction sector includes residential, commercial, and engineering, industrial and institutional subsectors. Residential and commercial construction account for approximately 70 per cent of construction activity and are cyclical in nature. Residential construction is driven by prices, incomes, interest rates, consumer confidence and demographic factors such as the age structure of the population, migration, and the size of households. Commercial construction is determined mainly by vacancy and interest rates.

- Construction employment fell from 230,000 in 1976 to 202,000 in 1983, then led the recovery with a 58 per cent increase by 1989.
- The sharp recovery of housing and renovations following the 1981-82 recession was the result of pent-up demand, strong immigration, falling interest rates and increasing family incomes.
- Growth in commercial construction reflected growth in the knowledge-intensive and business services sectors. In Metro Toronto, for example, office employment grew by 34 per cent in the 1983-89 period, while new office space increased by 24 per cent.

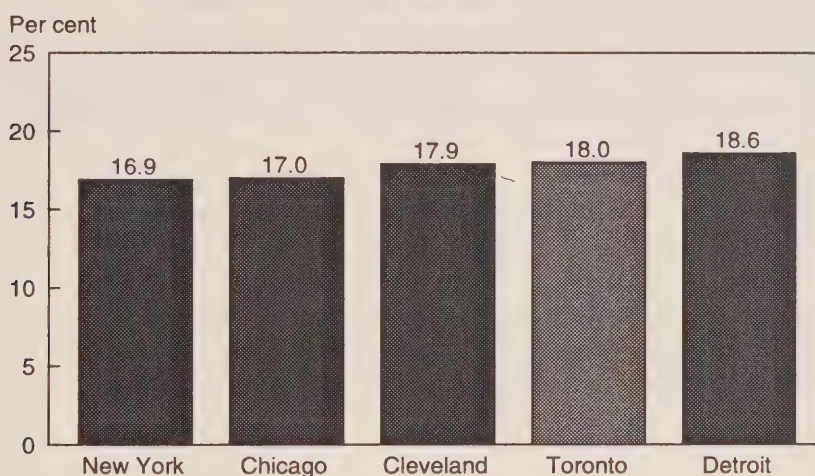
The cyclical nature of this sector has implications for other sectors of the economy. The most direct of these is the impact on demand for industrial materials and resources.

Recession Impact

The construction industry was severely affected by the recession, experiencing a 17.1 per cent decline in employment over the twelve months ending February 1991.

Housing starts have fallen almost 50 per cent since the 1987 peak of over 105,000 and median resale house prices in the Toronto area have fallen almost 20 per cent from the March 1989 peak. Commercial starts in January-September 1991 were down by 59.4 per cent compared to year-earlier levels, while office rents have declined 18.4 per cent. Commercial vacancy rates in Toronto have climbed to 15 per cent. This excess supply of space is found in most of the major Great Lakes cities and may lead to increased competition for tenants by developers on both sides of the border.

Office Vacancy Rates, Summer 1991



Source: CB Commercial.

Outlook and Issues: 1992-95

The medium-term outlook is for a stronger recovery in residential construction than for the economy as a whole. Within the residential segment, single family housing and renovation activity will grow the fastest. With lower nominal interest rates and restrained house prices, housing affordability has improved.

As a result of the high level of commercial construction in the 1980s, available commercial space currently exceeds demand, especially in the Greater Toronto Area. This area has been hurt by recent weakness in the financial and retailing sectors. While many new commercial projects have been cancelled or postponed, excess space will continue to grow in the short term due to

the completion of large projects already underway. Commercial construction is expected to remain weak for several years.

Institutional and engineering construction, which rely predominantly on government expenditure, are not expected to vary significantly from their traditional levels. Similarly, industrial construction will remain flat.

Automotive Sector Linked to U.S. Prospects

This industry has undergone rapid change during the past two decades. The auto assembly industry now faces offshore competition and increasingly stringent government environmental and energy regulations for their products. Changes by assemblers are affecting other aspects of the industry -- auto parts, tires, auto dealerships, and gasoline retailing.

Automotive Sector				
	Average Weekly Earnings ^a	Share of Total Employment	Employment Growth annual rate	
	1990	1990	1983-89	1990
	\$	%	%	%
Motor Vehicle Assembly	719	1.1	3.5	-7.4
Motor Vehicle Parts	601	1.5	2.8	-8.2
Auto Dealers	581	0.8	2.9	-3.6
Gasoline Service Stations	274	0.7	2.3	-0.5
Other Auto-Related Distributors	457	1.5	1.0	0.7
Total	544	5.5	2.4	-4.2
Economy	520	100.0	2.3	-2.9

^a Excluding overtime.

Source: Statistics Canada, 72-002.

Over 90 per cent of Canada's **auto assembly and parts** industries is located in Ontario. Both industries are highly oriented to the North American market, exporting 90 and 75 per cent of their output, respectively.

Between 1982 and 1989, the Ontario assembly and parts industries grew 122 per cent, in contrast to 66 per cent for the U.S. industries. The auto parts sector was the faster growing, realizing a 130 per cent increase in output and a 40 per cent increase in employment.

Given the consolidation of assembly activity in the Great Lakes area, Ontario's strategic location was an important reason for this growth. Communities which benefited from auto

sector expansions and new plants include Oshawa, St. Thomas, Windsor, Brampton, Cambridge, Alliston and Ingersoll.

Other contributing factors included the favourable exchange rate, the ability of Ontario's infrastructure to support just-in-time production processes and low health care costs in Ontario compared to the United States.

The auto sector has led manufacturing towards just-in-time processes, which has meant greater reliance on computers, telecommunications, air freight and trucking and lower inventories.

Recession Impact

Given its strong export orientation, the Ontario industry has been severely affected by the 20 per cent drop in U.S. auto sales from the peak of 16.3 million units in 1986.

Real shipments of auto parts fell by 22 per cent over the two model years 1990 and 1991. This contrasts with the 15 per cent rise between the 1986 and 1989 model years which the industry achieved during a period of generally declining auto sales. The decrease was due to the combined impact of a further decline in U.S. auto sales and the high Canadian dollar. In contrast, assembly output in Ontario has not been falling. Increased production from new plants has offset declining production from existing plants. Communities most impacted by layoffs and closures were Port Hope, Barrie, the Kitchener-Waterloo area, Hamilton, St. Catharines-Niagara, Chatham, St. Thomas and Windsor.

The tire plant closures affecting Barrie and Kitchener-Waterloo were the result of the combined impact of the recession on tire demand and global overcapacity.

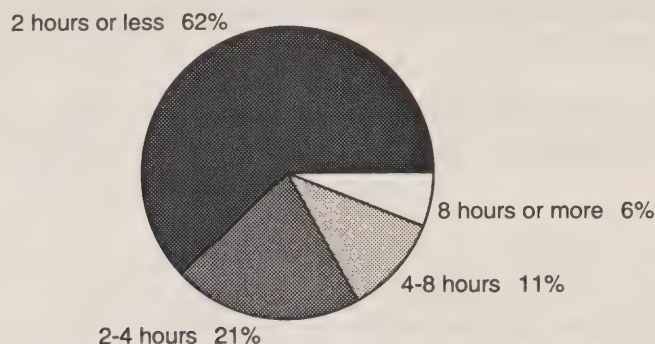
The recession has also resulted in reduced employment in auto and gasoline retailing. Employment in car dealerships was 24.9 per cent lower in the first six months of 1991 compared to the same period in 1990. In the gasoline retailing sector, employment fell 22.8 per cent over the same period.

Outlook and Issues: 1992-95

During the next four years, Ontario assembly production will increase faster than GDP, in line with a recovery in U.S. vehicle sales. However, the recovery is not expected to be as strong as it was in the 1983-86 period. The U.S. market for autos may be saturated.

Ontario's auto parts manufacturers are expected to recover in the medium term in line with the recovery in U.S. sales. While their recovery will be affected by the level of the Canadian dollar, their locational advantage will remain important in future years. The following chart shows that 62 per cent of Ontario's auto parts production is in product lines which assemblers prefer to have in close proximity to their plants. The following chart also shows that only 6 per cent of Ontario's production is in product lines that can be easily transported long distances. This limits Ontario's vulnerability to competition from more distant low-wage jurisdictions. Given the high concentration of North American auto assembly activity in the Great Lakes area, this is an indication that the parts industry is exploiting Ontario's locational advantage.

**Ontario Auto Parts Production by Just-In-Time
Delivery Category Preferred by Assemblers, 1988**



Source: Roger Miller (Université du Québec),
Statistics Canada and Ontario Ministry of Treasury and Economics.

Nevertheless, even within the Great Lakes area, auto parts manufacturers will face increasing pressures with the maturation of the auto market. The relationship between auto assemblers and parts manufacturers will continue to change resulting in a more competitive parts industry. Assemblers are already seeking to reduce the number of suppliers they deal with and consolidate their supplier base. In addition, they are requiring parts producers to increase quality and reduce costs. They are also giving increased responsibility for auto parts development to parts producers.

The auto industry will have to absorb the costs of reducing vehicle emissions to meet stringent new air quality standards. Assembly and parts plants face increasingly tough water and air emissions regulations as well as pressures to take responsibility for disposing of their products.

The possibility of a North American Free Trade Agreement could affect auto industry investment decisions over the next few years. However, key factors for consideration in investment decisions should continue to be proximity to markets, the extent to which existing capacity can meet market demand, transportation costs, the availability of infrastructure, and the cost, quality and availability of labour.

The mature auto market is also forcing dealerships to reduce costs and improve customer service. For example, the United States has already seen a reduction in the number of dealers, an increase in joint ownership of dealerships, the consolidation of administrative functions, and assembler purchase of car rental agencies. Similarly, a mature tire market coupled with longer life tires will constrain tire output and employment to 1995. Finally, intense competitive pressures and continued improvements in fuel efficiency will result in fewer gasoline stations and lower employment levels.

Industrial Materials Recovering Slowly

Industrial materials are intermediate manufactured goods used as inputs to produce final goods. The sector includes manufacturers of plastics, steel and fabricated metals, non-metallic minerals, chemicals and primary textiles. The industrial materials sector benefited from the construction boom and the auto sector expansion in the 1980s.

The growing international emphasis on improved productivity, reduced costs and miniaturization has lowered the input requirements and slowed the growth in demand for industrial materials. In addition, there has been significant substitution between materials. For example, the competition between steel and plastics has intensified in the auto sector. In pipe for water and other fluids, the volume of plastic rose from 2 per cent to 56 per cent over thirty years. Over the same length of time, the amount of steel required in a typical commercial building fell over 60 per cent.

Industrial Materials Sector				
	Average Weekly Earnings ^a	Share of Total Employment	Employment Growth annual rate	
	1990	1990	1983-89	1990
	\$	%	%	%
Ferrous Metals	751	0.8	-0.4	-16.3
Metal Fabricating	574	2.0	-2.5	-10.7
Plastic Products	488	0.7	2.8	-10.9
Non-Metallic Minerals	609	0.6	2.7	-5.6
Primary Textiles	511	0.6	2.6	-15.1
Chemicals	673	1.1	1.3	-2.6
Non-Ferrous Metals	611	0.2	-0.7	-14.1
Petroleum and Coal Products	934	0.2	-7.1	-4.7
Total	616	6.2	-0.3	-10.2
Economy	520	100.0	2.3	-2.9

^a Excluding overtime.

Source: Statistics Canada, 72-002.

An estimated 50 per cent of Canada's industrial materials production is located in Ontario, which is not surprising given the high concentration of manufacturing in Ontario. Similarly, the U.S. industrial materials sector is concentrated in the Great Lakes States. The result is that in this sector there is considerable cross-border trade and competition. In 1987, Ontario exports, as a share of shipments, ranged from 7 per cent for petroleum and coal products, to 14 per cent for primary textiles to 18 per cent for hydraulic cement, to 26 per cent for chemicals.

Concentration of Employment in Industrial Materials in Ontario and the Great Lakes States, 1986

	Index of Concentration ^a	
	Ontario	Great Lakes States
Textile Mill Products	0.96	0.14
Chemicals and Allied Products	1.29	1.09
Rubber and Plastics	1.33	1.75
Stone, Clay and Glass	1.25	1.19
Primary Metals	2.09	1.99
Fabricated Metals	1.54	1.81

^a Defined as the industry's share of total employment in the geographic area as a ratio to the industry's share of total employment in Canada plus the U.S. Great Lakes States (Illinois, Indiana, Michigan, Ohio, Minnesota and Wisconsin). A ratio greater than one indicates a higher than average proportion of the North American industry.

Source: Federal Reserve Bank of Chicago and Great Lakes Commission, *The Great Lakes Economy, Looking North and South*, 1991.

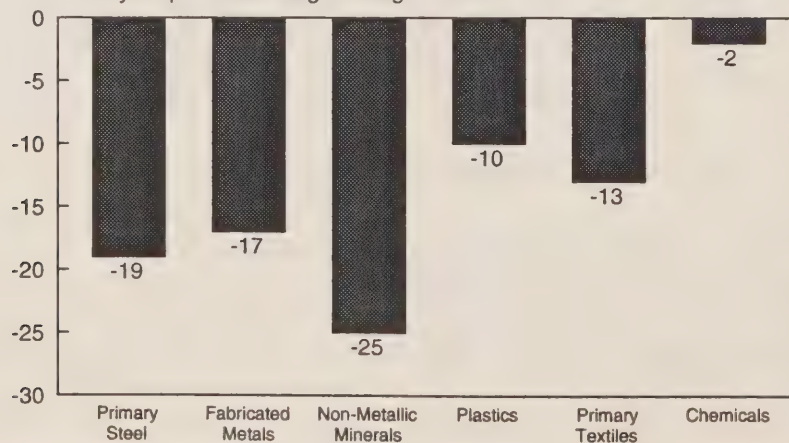
Communities particularly dependent on these industries include Hamilton and Sault Ste. Marie (steel), Sarnia (petrochemicals, plastics and petroleum refining) and Windsor (chemicals and plastics). Eastern Ontario has several textile plants.

Recession Impact

The weakness in North American auto and other consumer goods sales as well as construction has resulted in a severe reduction in industrial materials demand.

Decline in Industrial Products Shipments

Year-over-year per cent change to August 1991



Source: Statistics Canada.

While the decline in most of these industries was primarily cyclical, steel is undergoing structural adjustment, with producers in Hamilton and Sault Ste. Marie reducing employment permanently. The structural adjustment in the Ontario industry is similar to that experienced in the United States and Europe in the 1980s where employment levels dropped dramatically in response to technological change and flat demand for steel. However, in Ontario's case, the high Canadian dollar has intensified restructuring pressures.

Outlook and Issues: 1992-95

The industrial materials sector is expected to grow more slowly than GDP. With weakness in construction and a slower growing auto sector over the next few years, opportunities for this sector will lie in its ability to capture market share in the Great Lakes market. The proximity of Ontario to this very large market provides scope to capture business from more distant producers by meeting quality and timely delivery requirements of customers. However, a high Canadian dollar will increase competition from U.S. Great Lakes area producers in the local Ontario market.

Over the medium term, the industrial materials sector will continue to be affected by the accelerating development of new materials and new production processes. This is expected to result in shifts in materials usage. Individual producers will have to engage in product development in order to retain market share. Technological innovation, quality improvement and substitution between materials will result in further economies in material usage.

Along with the resource sector, the industries in this sector are likely to be affected by increasingly stringent environmental regulations. Meeting stricter pollution standards will require process and design changes. The development of new technologies to meet stricter standards can also result in opportunities to market the new technologies to similar industries facing comparable standards.

Resource-Based Industries Facing Continuing Global Pressures

Historically, Ontario's abundant natural resources have given it a strong export position in world markets and have contributed to our high standard of living. However, over the past decade, this advantage has been declining.

Resource-Based Industries				
	Average Weekly Earnings ^a	Share of Total Employment	Employment Growth annual rate	
	1990	1990	1983-89	1990
	\$	%	%	%
Logging & Forestry Services	678	0.2	-4.0	-8.3
Wood Industries	486	0.6	2.6	-11.9
Paper and Allied Products	655	1.0	-0.5	-6.6
Mining, Quarries & Services	787	0.6	-1.2	-7.7
Smelting and Refining	832	0.1	-2.8	-4.7
Total	659	2.5	-0.4	-8.2
Economy	520	100.0	2.3	-2.9

^a Excluding overtime.
Source: Statistics Canada, 72-002.

First, material intensity for manufactured products has fallen, and industrial materials recycling has increased. Demand for many natural resources has slowed, particularly among industrialized countries. In some cases, such as iron ore, per capita consumption has declined.

Second, developing countries have become more effective competitors due to the spread of resource exploration and development technology. In response, traditional resource suppliers have been forced to become much more efficient by using new technology and less labour.

Ontario mineral production increased during the 1980s, and its major mining operations are among the lowest cost in North America. However, this has been accomplished with significantly less labour. Overall mining employment has declined from 41,000 in 1981 to 32,000 in 1990.

Forest products experienced moderate growth in output during the 1980s, but an overall decline in employment as companies modernized production processes to reduce costs, improve product quality and meet more stringent environmental requirements. Employment stood at 91,000 in 1981, but fell to 83,500 in 1990.

The Ontario industry's profits and investment have also been affected by dramatic shifts in the value of the Canadian dollar. While the decline in the dollar spurred exports in the early 1980s, its 23 per cent appreciation since 1986 has hurt exports and profits. Softwood lumber exports to the United States were also curtailed by the 15 per cent export tax.

The economic restructuring of the resource industries over the past ten years has had a significant impact on resource-based communities, especially in Northern Ontario, where they account for 16 per cent of jobs. Declines in employment have been partially offset by the relocation of some provincial and federal government offices to communities like Sudbury, Sault Ste. Marie and Thunder Bay.

Forestry and Mining-Dependent Communities^a

Community	Forestry Employment		Community	Mining Employment	
	#	% ^b		#	% ^b
Thunder Bay	5,000	11	Sudbury	10,830	16
Kapuskasing	1,600	31	Timmins	3,770	20
Dryden	1,200	24	Elliot Lake	1,440	35
Iroquois Falls	1,160	37	Marathon	850	23
Espanola	1,000	31	Manitouwadge	830	42
Kenora-Keewatin	1,000	13	Red Lake-Golden	820	33
Terrace Bay-Schreiber	930	46	Kirkland Lake	550	11
Fort Frances	890	19	Pickle Lake	360	35
Red Rock-Nipigon	850	41	Wawa	250	20
Hearst	700	25			
Chapleau	600	26			
Atikokan	585	28			
Marathon	410	11			
Cochrane	400	16			
Sturgeon Falls	350	16			
Dubreuilville	340	70			
Smooth Rock Falls	290	41			
Englehart	280	36			
Longlac-Geraldton	280	40			
Mattawa-Rutherglen	260	18			
Ignace	200	20			

^a Based on 1991 estimates for communities with more than 200 employees in forestry or mining and more than 10% of local jobs in either industry.

^b % of local employment.

Source: Ministry of Treasury and Economics estimates.

Recession Impact

Resource industries are very vulnerable to cyclical changes in market conditions. The 1990-91 recession added significant problems to a sector already experiencing increasing structural pressures.

As the recession took hold in 1990 and residential construction plummeted, Ontario lumber production fell by some 30 per cent and prices reached very low levels. Temporary layoffs affected a third of the sawmill workforce last winter.

Ontario's overall pulp and paper production fell 5.5 per cent in the first 9 months of 1991 compared to the first 9 months of 1990. Newsprint suffered most dropping 13.5 per cent. Other paper and paperboard production fell 3.8 per cent. In addition to reduced demand and production, prices fell, especially for market pulp, so that few, if any, pulp or paper mills are making a profit.

In the mining industry, total employment has fallen by about 6,000 or 17 per cent since 1989, mainly because of permanent cutbacks and closures of a number of uranium, iron and gold mines. Recently, the nickel industry announced cutbacks and early retirements of up to 1,300 people in the Sudbury area. Copper and zinc mining operations remain relatively stable.

Outlook and Issues: 1992-95

While there will be some cyclical recovery of resource sector output and employment by 1995, overall output and employment may not reach pre-recession levels because of the permanent closures and cutbacks that have taken place to date, and may yet occur in 1992.

A weak international recovery in demand for natural resources and a continued high Canadian dollar will be exacerbated by several structural factors:

- Ontario will face increasing competition from developing countries offering an improving investment climate and promising resource potential.
- As efforts to "reduce, reuse and recycle" become more widespread in U.S. urban areas, resource extraction and upgrading in resource communities will be adversely affected unless they begin shifting to higher value added products. For example, recycling will reduce demand for virgin fibre pulps and papers.
- Demographic trends suggest North American housing starts will not recover to the high levels seen in the 1980s, meaning less recovery in demand for construction lumber. Also, while Canada's unilateral termination of the softwood lumber tax may improve access to U.S. lumber markets, this access would be threatened by a successful U.S. challenge.

However, there are some opportunities for economic diversification. These include manufacturing value-added wood products, penetrating European markets for lumber, and developing the province's hardwood and industrial mineral resources. There is also some potential for Ontario's large and highly skilled pool of geoscience and mine development personnel to export their services to other parts of the world. Sustainable forestry and mine site rehabilitation initiatives could also offer additional job opportunities.

Consumer Products and Distribution Adjusting to U.S. Competition

Historically, consumer products industries benefited from high tariff protection. The consumer products distribution system (trucking, wholesale, retail) was domestically oriented. The 1980s have seen significant international rationalization of consumer products industries, and some impact on the consumer products distribution system as well. The forces driving these changes included tariff cuts, including those under the FTA, competition from developing countries with large domestic markets and low-wage labour forces, and increased advertising by U.S.-based firms.

Consumer Products and Distribution				
	Average Weekly Earnings ^a	Share of Total Employment	Employment Growth annual rate	
	1990	1990	1983-89	1990
	\$	%	%	%
Beverage and Tobacco	668	0.3	-3.5	-0.8
Furniture and Fixtures	484	0.6	2.2	-17.5
Clothing and Textiles ^b	382	0.9	-2.1	-16.0
Consumer Electronics ^c	542	0.3	0.0	-16.3
Misc. Consumer Products ^d	483	0.5	-2.7	-5.4
Trucking	573	0.7	1.2	-10.4
Wholesale Trade ^e	587	4.0	3.2	-3.5
Retail Trade ^e	282	7.4	5.0	0.6
Total	414	14.7	2.9	-3.7
Economy	520	100.0	2.3	-2.9

^a Excluding overtime.

^b Clothing, knitting mills, leather, carpets and canvas products.

^c Appliances, televisions, radio receivers and lighting.

^d Such as toys, jewellery and musical instruments.

^e Excluding food and auto related.

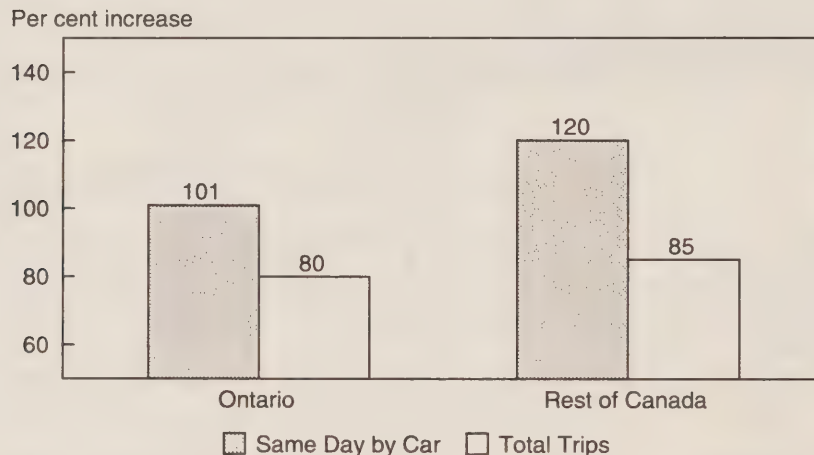
Source: Statistics Canada, 72-002.

Between 1983 and 1989, employment in Ontario consumer products industries fell by 6.9 per cent. At the same time, imports increased their market penetration. The trend was most pronounced for clothing and leather, for which imports increased market share an estimated 10 and 14 percentage points, respectively, between 1981 and 1987. Imports of consumer electronics and furniture realized more modest gains.

Vigorous expansion of the trucking industry in the early 1980s was followed in the late 1980s by significant difficulties adjusting to the combined effects of trucking deregulation, the recession, and structural shifts in the economy.

Strong growth in consumer spending during the expansion from 1983 to 1989 was reflected in above-average growth in employment in retail and wholesale trade. The strong job gains coincided with the improved use of computers for inventory control and ordering functions as well as changing distribution patterns.

Cross Border Trips per Capita 1980-1990



Source: Statistics Canada and Ontario Ministry of Treasury and Economics.

Recession Impact

The recession, combined with the high Canadian dollar, the GST and rapid increases in cross-border shopping, has forced significant structural change on this sector.

In 1990, employment in leather products fell by 15.7 per cent. Similarly, employment in clothing and furniture dropped by 14.9 per cent and 17.5 per cent, respectively. The trucking industry has also been particularly hard hit. In the first nine months of 1991, 155 companies declared bankruptcy, compared to 147 for all of 1990.

Outlook and Issues: 1992-95

The recovery for the consumer products and distribution system is not expected to exceed growth in the economy. Some manufacturing firms which survive the recession are expected to be well positioned in niche markets to compete in a North American context. Many others, however, will continue to adjust operating strategies to match U.S. competition.

For example, to operate with lower margins, Ontario-based retailers will be reducing cost and volume differences with their U.S. competitors and developing new and more direct sourcing including the establishment of U.S.-based supply operations. They will face increasing competition by way of U.S.-based retailers entering the Canadian market and the growing presence of warehouse style stores and manufacturer-owned outlets.

Some parts of this sector, particularly manufacturers of packaging, hazardous products, and appliances banned from land fills, face growing pressures to reuse or recycle their products. The resulting cost will either be absorbed or passed on to the consumer.

The trucking industry will continue to face adjustment pressures over the forecast period. In response to excess capacity and the loss of transborder market share, carriers will need to continue with strategies to enhance competitiveness, including cost reduction, service enhancement and the utilization of more productive technologies.

Tourism and Hospitality Sector Recovery Lags the Economy

The tourism and hospitality sector incorporates a number of activities but is dominated by accommodation, restaurants and recreation. Ontarians account for approximately 75 per cent of expenditures in this sector. U.S. visitors account for about 12 per cent of expenditures.

Tourism and Hospitality Sector				
	Average Weekly Earnings ^a	Share of Total Employment	Employment Growth annual rate	
	1990	1990	1983-89	1990
	\$	%	%	%
Amusement & Recreation	326	1.7	0.8	12.1
Accommodation and Restaurants	206	5.7	2.8	-7.4
Total	234	7.4	2.4	-3.5
Economy	520	100.0	2.3	-2.9

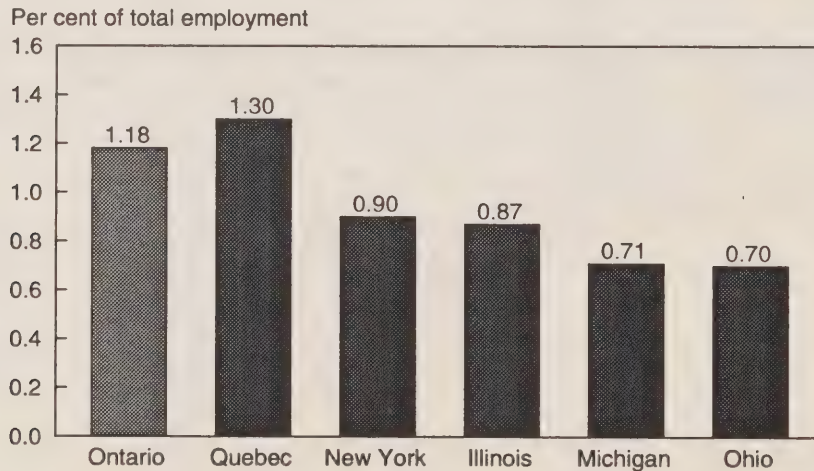
^a Excluding overtime.
Source: Statistics Canada, 72-002.

The tourism industry, in particular, is being affected by long-term changes in the structure of North American travel markets, including factors such as:

- increasing business travel which, in the Canadian context, is linked to higher international travel, especially to the United States;
- older and more sophisticated tourists, including a growing seniors market with an interest in "sun spot" destinations;
- more two-income families, who are taking more frequent, but shorter vacations, and demand a wider range of well-packaged, higher value-added tourism services;
- increasing competition for discretionary tourism spending from other countries.

While business and recreational travel by Ontarians kept pace with the economy during the 1980s, travel by U.S. residents to Ontario remained fairly flat while travel by Ontarians to the United States rose. Accordingly, Ontario has been losing its share of the rapidly rising international travel market. Tourism arrivals throughout the world grew by 4.6 per cent a year between 1982 and 1987, while international arrivals to Ontario over the same period grew by only 2.9 per cent annually. Ontario's international travel account deficit has accordingly risen over the past decade. It reached a record \$3 billion in 1990, accounting for 58 per cent of Canada's total travel deficit.

Hotel/Motel Employment, 1988

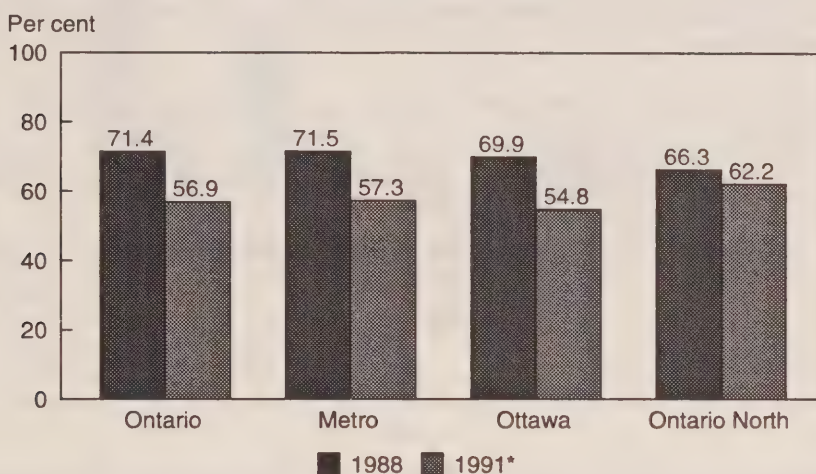


Source: Statistics Canada, U.S. Bureau of Labor Statistics.

Recession Impact

Accommodation and food services have been affected more than most industries by the recession, the G.S.T. and the high Canadian dollar. Employment declined 7.4 per cent in 1990, bankruptcies were up 38.2 per cent for the first 7 months of 1991 over the same period in 1990, and the accommodation sector has seen declining occupancy rates, especially in the Toronto and Ottawa areas.

Ontario Hotel Industry Occupancy Rates



* T&E estimate based on data supplied by Pannell Kerr Forster.

Source: Pannell Kerr Forster, "Trends in the Hotel Industry, Ontario".

Tourism in Ontario has dropped since 1989, mainly due to the decline in Canadian travellers. Travel by American and overseas visitors has also fallen. In contrast, travel by Ontario residents to the United States has increased sharply since 1988.

Outlook and Issues: 1992-95

The medium-term outlook for tourism and hospitality is for growth at about the same rate as for the economy as a whole. However, over the short term, growth will lag the economy, due to the high Canadian dollar, continuing impact of the GST and slow economic recovery in the Great Lakes States. However, later in the outlook period, as family incomes rise, growth in this sector will likely be somewhat higher than that of the economy.

Over the long term, the performance of the tourism and hospitality sector will depend on its ability to adjust to the structural changes on the demand side. This adjustment will require the adoption of technology that improves services and productivity, and an increased emphasis on the training of management and labour.

Agriculture and Food Industry Faces Mixed Growth Prospects

The agriculture and food industries employ 313,000 people or 7.3 per cent of the provincial workforce.

Expansion of this sector is primarily determined by population growth. During the 1980s the population of Ontario grew at 1.4 per cent per annum, and is expected to continue growing at about this rate during the 1990s. This limited growth potential, global trade subsidies and technological innovations that have led to significant increases in supply, are creating a highly competitive and, in primary agriculture, an increasingly distorted market. This competition tends to be focused on increasing market share through lower costs, quality improvements and product range development.

Agriculture and Food				
	Average Weekly Earnings^a	Share of Total Employment	Employment Growth annual rate	
	1990	1990	1983-89	1990
	\$	%	%	%
Agriculture	n/a	2.5	-2.1	-7.6
Food Processing	528	1.8	1.0	-7.6
Food Wholesaling	458	0.6	1.5	-9.1
Food Retailing	252	2.5	1.9	-0.1
Total	377	7.3	0.1	-5.3
Economy	520	100.0	2.3	-2.9

^a Excluding overtime.

Source: Statistics Canada, 72-002, Labour Force Survey, 72-001.

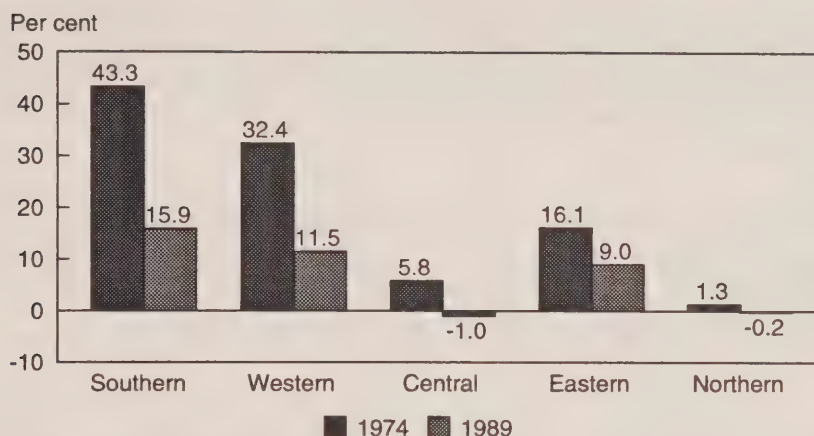
The challenge for food retailing operations has been to maintain or expand market share in the face of slow growth in volume. Companies are increasing efficiency and reducing costs, creating and exploiting higher margin niche markets, and expanding into non-food items. These shifts in turn are pressuring food processors for new products and new marketing techniques. The high cost and uncertainties involved are forcing many processors to consider product development primarily in an international context.

Farmers are also subject to international pressures. Rapid productivity increases are occurring in all major producing countries and are partially responsible for declining real world prices for many primary agricultural commodities. Ontario farmers, despite their very high productivity, have been forced to adopt new technologies to lower costs. For example, during the 1980s, milk output per cow has risen 19 per cent and the yield per hectare of grain corn has increased by 17 per cent. The pressure to increase productivity in the face of slow demand growth and low prices has meant:

- The number of farms has declined, and operations are becoming larger and more efficient.

- Over the last decade net farm income has been falling in real terms even though government support has been increasing. This has resulted in a trend toward increasing farmer dependence on off-farm income.

Net Farm Income as a Share of Total Farmer* Net Income, 1974 and 1989



*All taxfilers who reported income from farming.
Source: Ontario Ministry of Agriculture and Food.

- Farmers have been withdrawing lower quality agricultural land from production and increasing the intensity of production on the better lands. At the same time, the use of pesticides and commercial fertilizers has declined, in part because of low agricultural prices, but also because of the adoption of new technology in pesticides and their application.

As the agricultural sector changes, so do rural communities. The pressures on farmers for efficiency and lowest cost production have meant less spending on farm machinery, inputs such as fertilizer, and on goods for personal consumption. These pressures, coupled with a dependence on off-farm income, have led to less emphasis on rural community farm suppliers and a lifestyle more oriented to urban centres. The farm supply industry has had to restructure, often downsizing.

Recession Impact

During the 1980s, agriculture and food processing had low growth rates while most other industries boomed. Similarly, while the Ontario economy declined in 1990-91, agriculture and food processing production remained relatively constant despite employment reductions.

This relative stability in production with declining employment indicates changes within the industry. Much of the food processing industry has been sheltered from international competition, and is not export oriented. However, the FTA is reducing the level of protection and in response food processors are quickly rationalizing product lines and facilities. Changes in basic industry economics are resulting in other shifts. The beef processing industry, for

example, following a trend similar to that in the United States, has downsized in Ontario and opened or modernized large facilities close to cattle supplies in Western Canada.

Outlook and Issues: 1992-95

The agriculture and food sector will experience slow growth and continued restructuring in the medium term. The sector will continue to search for even more efficient delivery mechanisms. In addition, trade discussions under the GATT have the potential to deliver a shock to the supply management sections of the industry. The retail and wholesale industries will face slowing demand, as population growth moderates and pressure from cross-border shopping continues. The food processing industry will experience continued pressure to meet international competition.

The direct consumer market is becoming less suited to a mass market approach. Processing companies are concentrating more on "niche markets" to meet the increasingly specialized requirements of consumers. The food processing sector will grow slowly with fruit and vegetable processors restructuring for the North American market.

Slow growth and restructuring in the agriculture and food processing industries will affect the prospects for rural communities, especially in Southwestern Ontario. However, the impact will not be uniform, with some communities potentially benefiting from proximity to larger urban centres.

IV. THE MACROECONOMIC OUTLOOK

Summary

This section reviews the recent performance of the Ontario economy and provides detail on the macroeconomic outlook for the 1992-95 period. It also discusses the key factors affecting productivity prospects in the province.

Risks to the Outlook

The macroeconomic forecast presents a single scenario for the Ontario economy, based on what appear now to be the most plausible assumptions. However, alternative international and domestic policy developments could unfold and alter the economic course over the next four years and beyond. A major change in the direction of monetary or fiscal policy at the national level, for example, would produce a very different outcome. Similarly, a major change in the international environment, such as unanticipated weakness in the U.S. economy or a large increase in oil prices, could alter this projection.

This outlook assumes gradual adjustment in the organization and structure of the economy. More effective co-operation among government, business and labour could produce greater than anticipated increases in productivity.

The Macroeconomic Outlook

Ontario Economic Outlook at a Glance

	1991	1992	1993-95*
Real Growth (%)	-1.9	3.8	3.5
Job Creation (000s)	-162	101	133
Unemployment Rate (%)	9.6	9.3	8.4
CPI Inflation (%)	4.7	3.0	3.3

* Annual Average.

Economic recovery began in the second quarter of 1991. Nevertheless, Ontario's real Gross Domestic Product (GDP) fell an estimated 1.9 per cent between 1990 and 1991. The provincial economy is expected to grow by 3.8 per cent in real terms next year, and by 3.5 per cent annually over the medium term. This is much slower than the average 6.0 per cent growth achieved during the 1983-86 expansion.

During the recession, Ontario lost 260,000 jobs. In calendar year 1991, the province suffered an estimated loss of 162,000 jobs. Total employment is projected to increase by 101,000 or 2.1 per cent in 1992. Over the 1993-95 period, employment is forecast to grow 2.7 per cent annually, representing an additional 133,000 jobs per year.

The unemployment rate rose from 6.3 per cent in 1990 to an estimated 9.6 per cent this year, and is expected to decline only slightly in 1992 to 9.3 per cent. Over the medium term, unemployment is expected to fall from 8.9 per cent in 1993 to 7.9 per cent in 1995.

Consumer price inflation is expected to moderate from 4.7 per cent in 1991 to 3.0 per cent in 1992, and to continue near 3.0 per cent over the 1993-95 period.

The recovery now under way is expected to be much more modest than the expansions that followed most other post-war recessions. Factors expected to contribute to slower overall growth include the relatively weak economic performance expected in the United States and other industrialized countries, continuing high consumer and business debt loads, high real interest rates, a high Canadian dollar, and ongoing restructuring.

In the near term, the leading sectors of the economy are expected to be housing and industrial machinery and equipment investment, as homebuilders undertake construction postponed during the recession and firms move to improve technology and raise productivity in an increasingly competitive environment.

Over the medium term, the expansion is expected to be more broadly based. High immigration levels, lower nominal interest rates and steady job gains will support housing and consumer spending. Improving corporate profits, higher capacity utilization and strengthening demand will combine with lower debt financing costs to allow a moderate recovery of business investment in non-residential construction.

Key Factors Affecting Productivity Prospects

Over the past ten years, Ontario's growth in per capita GDP was higher than that of most major developed countries. Nevertheless, productivity measured as output per worker grew relatively slowly because of the very rapid growth in employment. A more rapid rate of capital investment was needed to incorporate the latest technological innovations and boost productivity growth. Capital investment is forecast to recover only modestly as the economy moves out of the recession. It is expected to grow at less than half the rate experienced during the 1983-86 recovery.

The primary causes of the investment shortfall are the tight monetary policies of the Bank of Canada and the Canada-U.S. Free Trade Agreement. Monetary policy has made interest rates and the exchange rate much higher than they would have been otherwise, and has significantly increased the severity of the recession. The high exchange rate is encouraging permanent plant closures, and is adversely affecting investment location decisions in response to the Free Trade Agreement. In addition, corporate profits (as a share of GDP) are at their lowest level since 1932. Past losses and poor balance sheets of businesses will contribute to the below-average rate of investment growth during the recovery.

The forecast is for relatively weak productivity growth averaging only 1.1 per cent per year over the 1992-95 period, compared to 2.8 per cent per year experienced in the 1983-86 recovery. The province's overall economic performance is also affected by workplace organization. Changes that promote the capacity to adjust in the workplace could have a positive effect on productivity and thus on overall economic growth.

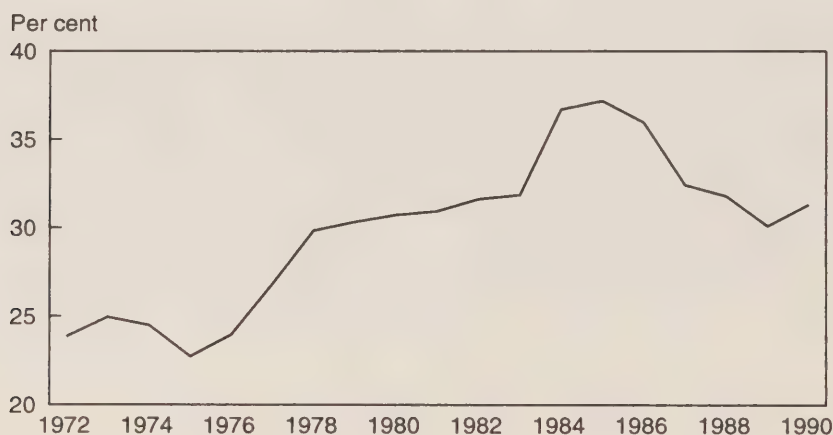
The External Environment: Key Factors

The primary factors affecting the outlook for the Ontario economy include interest and exchange rates, and economic performance in the United States, the rest of Canada and abroad. This section reviews recent developments and the outlook for these factors.

The Changing World Economy

Changes in the international economic environment have been unusually large in the past several years, and they will have significant impacts on Ontario. The collapse of the communist regimes in eastern Europe has created a large new demand for international capital. The European Economic Community is becoming larger and more unified, forming an even more formidable trading bloc. The newly industrializing countries are rapidly expanding their technological expertise to produce an ever more sophisticated range of products, and Mexico appears to be on the verge of joining this group. Ontario's direct trade is primarily with the United States, and is undergoing significant changes due to the Canada-U.S. Free Trade Agreement and the rise in the value of the Canadian dollar relative to the U.S. dollar.

**Ontario International Exports
Relative to Ontario GDP**



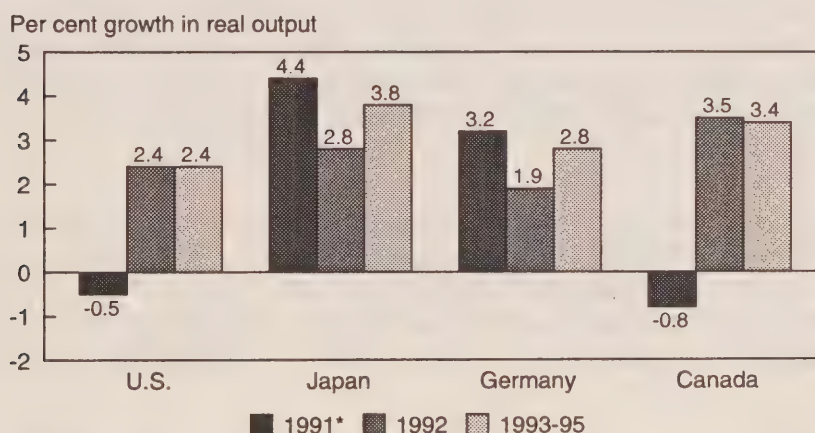
Sources: Statistics Canada and Ontario Ministry of Treasury and Economics.

Ontario has a very open economy. It depends more heavily on international trade than many countries that are well-known international traders. Ontario is also more export oriented than the rest of Canada. International exports amount to 31 per cent of Ontario GDP, while for other provinces the average is 21 per cent. This explains why the high dollar has had a larger impact on Ontario's economic performance. In the last few years, exports have grown more slowly than the rest of GDP, mainly because of the rising value of the Canadian dollar.

Ontario is considerably more dependent on exports to the United States than it is on exports to the rest of Canada. Ontario's exports to the United States represent roughly 27 per cent of its GDP, and are twice as large as its exports to the rest of Canada. Therefore, the short-term cyclical recovery of the Ontario economy will be heavily influenced by economic performance in the United States. Real output in the United States is expected to decline by 0.5 per cent in 1991. A mild recovery began in the third quarter of 1991 and is expected to continue into 1992 with 2.4 per cent real growth. Housing and business spending on equipment, spurred on by lower interest rates, will be the leading sectors in the U.S. recovery.

The United States is forecast to grow at an average annual pace of 2.4 per cent over the 1993 to 1995 period, much slower than the 4.3 per cent annual rate of growth during the 1984-86 expansion. The more sluggish U.S. recovery expected for the 1990s reflects a shallower recession, higher debt levels and weaker growth in the rest of the world. The U.S. economy was the weakest performer among the G-7 countries in the past ten years, measured by growth in per capita GDP. The Congressional Budget Office is projecting a record 1992 federal on-budget deficit of \$425 billion, equal to 7.1 per cent of GNP. The Canadian and U.S. capital markets are highly integrated, and high U.S. debt levels have a far more significant effect on the level of Canadian real interest rates than do Canadian debt levels.

International Economic Outlook 1991 - 1995



* Estimate for 1991.

Source: Consensus Economics Inc. and Ontario Ministry of Treasury and Economics.

Monetary policy in the United States is expected to tighten over the medium term, as growth resumes and inflation remains a concern. Nevertheless, in an election year the Federal Reserve Board is expected to continue to balance its pursuit of lower inflation with efforts to maintain growth.

Japan's economic growth is showing signs of moderation, after four and a half years of rapid expansion. Real growth is expected to weaken to 2.8 per cent in 1992 from 4.4 per cent this year. A fall off in business investment growth is the primary cause of weaker growth in the short term. Slower growth will result in lower interest rates, pushing the value of the yen down over the coming year. Over the medium term, annual real growth is expected to average 3.8 per cent. Weaker demand growth projections are accompanied by an improved outlook for inflation, which is expected to average 2.4 per cent over the medium term.

Germany's real economic growth is expected to slow to 1.9 per cent in 1992 from 3.2 per cent this year, reflecting a tight monetary policy and this year's heavy consumer tax burden. Inflation concerns remain, however, and it is unlikely there will be any significant easing in monetary policy in the near term. Over the 1993-95 period, real growth is expected to average 2.8 per cent per annum. The inflation outlook will improve slightly, averaging 3.3 per cent over the period.

Longer-Term Productivity Problems Due To Tight Monetary Policy and Slow Capital Investment

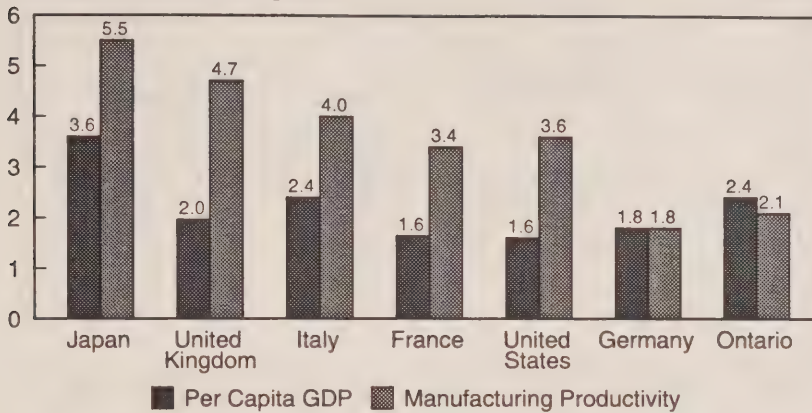
The recession and the unusually tight monetary policy which helped induce it may be considered short-term phenomena, but they can have permanent structural impacts. These policies are particularly significant because they are likely to discourage the investment needed in response to free trade. The high exchange rate is contributing to permanent plant closures. Many of the lost investments may never return even if the Canadian dollar eventually declines. The loss of modern productive capacity will hamper the ability of the Ontario economy to generate the productivity growth needed to maintain a high standard of living in the face of global competition.

Barriers to international trade have declined substantially in the past two decades. Relatively underdeveloped countries are now able to produce, and export, many of the products which have been traditional mainstays of the Ontario economy. As a result, Ontario is threatened in many export markets and is experiencing increased import penetration in some of its domestic markets. The challenge of competitiveness has both long-term and short-term dimensions.

Productivity growth is a key indicator of the economy's ability to increase the standard of living. One often-cited measure, the increase in productivity in manufacturing, shows how much manufacturing output is rising per manufacturing worker. By that measure, Ontario has one of the weakest track records among the major industrial countries. Manufacturing productivity is important, but growth in GDP per capita is even more important. Measured by GDP per capita, Ontario's growth rate was surpassed only by Japan (and equalled by Italy). Ontario managed to achieve high growth in GDP per capita because the proportion of Ontario's population in the workforce has grown.

Per Capita GDP and Manufacturing Productivity 1979 - 1989

Average annual per cent growth

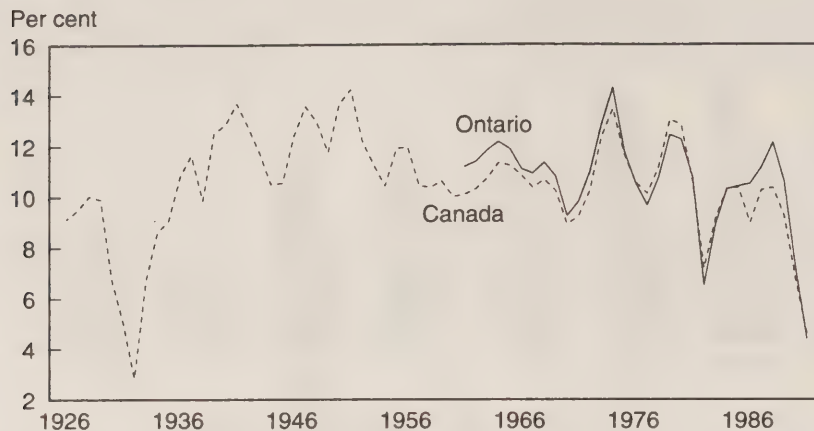


Source: IMF, OECD, U.S. Department of Labor, Conference Board of Canada.

Ontario's growth of output per worker has been relatively low partly because the economy had more growth in employment than any of the G-7 countries. The task of absorbing a large number of young, inexperienced workers (and generating the capital investment needed to utilize them effectively) has reduced the growth of output per worker. This problem will diminish toward the end of the decade, but during the next few years labour force growth is expected to remain relatively rapid, compared to other developed countries.

There are other important factors which have contributed to lagging productivity growth in Ontario. The economy has been slower to adapt to changing methods of enhancing productivity growth compared to other industrialized countries which have focused on exporting high-quality knowledge-based niche products. Ontario has also been slower at increasing worker flexibility and adaptability.

Ontario and Canada Corporate Profits as a Share of GDP



Source: Statistics Canada and Ontario Ministry of Treasury and Economics.

The tight monetary policy of the last few years will have a lingering impact on the ability of the economy to generate sufficient capital investment even after the recession ends. The combination of the recession and high exchange rate has sharply reduced the profits of Canadian corporations. Many of them are suffering large losses. Canadian companies competing in international markets have had to accept price cuts in Canadian dollar terms because of the high dollar; as a result, the Industrial Product Price Index is lower now than it was three years ago. The share of profits in national income has dropped to its lowest level since 1932, to where it was in the midst of the Great Depression.

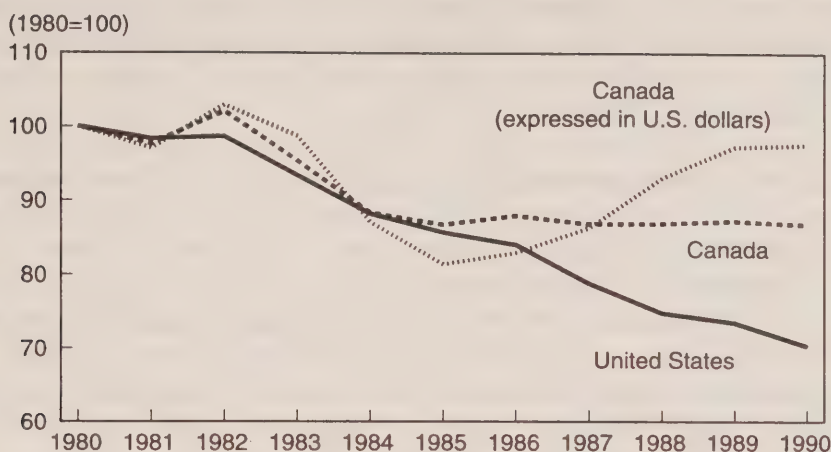
The poor condition of profits is also reflected in stock market values. In the past few years, Canadian stocks have had worse returns than those in most major countries. Businesses will tend to avoid making new investments in this climate. Moreover, the accumulated losses will weaken firms' equity-to-debt ratios, reducing their ability to make new investments even after they start to return to profitability. As a result, many of the investments needed for modernization are likely to be delayed if policies are not changed to rectify the situation.

Capital investment is one of the primary channels through which innovations are introduced. Slow capital investment is one of the reasons why relatively weak productivity growth is expected to continue for the next four years.

Short-Term Competitiveness Problems Due to the High Dollar

The most immediate factors influencing price competition for traded goods in the short term are the exchange rate and overall price and cost levels in the economy. The Canadian dollar has risen dramatically relative to the U.S. dollar in the past few years, primarily because of a market perception that the Bank of Canada will continue to follow a much tighter monetary policy than its U.S. counterpart. The rise in the value of the Canadian dollar accounts for roughly two-thirds of the decline in Canada's competitiveness since 1986.

Manufacturing Wage Cost Index*



*Increase in real manufacturing wages minus productivity growth.
Source: U.S. Department of Labor.

By historical standards, Canadian wage rate increases have not been excessive. Economists generally believe that real wages should rise at about the same rate as productivity growth. In fact, Canadian real wages have hardly risen at all in the past ten years, even though there has been some growth in productivity. Canadian real wages minus productivity growth are actually lower than they were in 1980.

However, in contrast to Canadian wages, the real wages of U.S. industrial workers have fallen substantially in the past ten years. The most important causes of this are government policies which have weakened the bargaining power of workers relative to employers, and the greater opening of the U.S. economy to competition from low-wage countries such as Mexico (most of whose products already enter the United States virtually free of duty). Finally, when Canadian wages are expressed in terms of the U.S. dollar, reflecting the effect of the high Canadian dollar, unit labour costs in Canada have risen roughly 30 per cent relative to those in the United States. Due to Canada's entry into Free Trade with the United States, Canadian workers are exposed to the same pressures eroding real incomes which have affected their U.S. counterparts.

The Outlook for Interest Rates and the Dollar

Weak credit demand, the high dollar and reduced inflationary pressures will allow Canada's prime lending rate to continue a downward trend to an average well below 9 per cent in 1992, compared to an average just under 10 per cent in 1991. Over the 1993-95 period, Canada's prime lending rate is anticipated to average 8.25 per cent. With inflation expected to average near 3 per cent over the medium term, the real prime rate will remain close to 5 per cent during the next few years, high by historic standards.

The reasons for the Canadian dollar's recent rise are complex, but the high interest rate policy of the Bank of Canada has unquestionably been the catalyst for this increase. It is true that the Canadian dollar has continued to rise even though the Canada-U.S. interest differential has declined from its peak value. Nevertheless, that differential remains far above its historical average. Most importantly, investors have great confidence that it will stay relatively high, because of the stringent anti-inflationary posture of the Bank of Canada, contrasted against the weak state of the U.S. banking system.

Short-term exchange rate movements are dominated by capital flows rather than trade in goods and services. When an exchange rate rises, it takes several years before its full effect on a country's trade balance is felt. Canada's trade balance has already declined substantially, but there is reason to believe that further deterioration will occur. Canadian trade responds particularly slowly to the exchange rate because of the integration of the automobile industry with the United States. Many car models are produced exclusively in Canada, and once an automobile company has set up a line to produce in Canada, it is costly to move it to the United States. However, in decisions about new plant location, a high exchange rate will no doubt be a significant factor.

Canada's trade balance will continue to deteriorate if the dollar remains high. As recently as 1984, Canada's current account trade balance was a surplus of \$1.7 billion. By 1990, this had changed to a deficit of \$22 billion, the largest relative to GDP among the major industrial countries. It has to be financed by foreign borrowing. Canada has a good reputation which should make financing an even larger trade deficit possible for the next few years. The dollar will eventually decline when the Bank of Canada is unwilling (or unable) to widen the differential of Canadian over foreign interest rates sufficiently to encourage the capital inflows needed to finance the current account trade deficit. However, the decline will likely come too slowly to provide much stimulus to economic growth over the next few years.

Although Canada-U.S. interest rate spreads are forecast to continue to narrow next year, the maintenance of a significant interest differential and the Bank of Canada's ongoing anti-inflation policy are expected to support the Canadian dollar in the 87-90 cents U.S. range in 1992. However, concern over Canada's constitutional situation creates additional uncertainty about the exchange rate in the coming year.

Further narrowing of interest rate spreads between Canada and the United States and continued deterioration of the trade balance over the 1993-95 period are expected to lead to a weaker dollar by 1993. The dollar is expected to average 85 cents U.S. in 1993, and to remain near that level through to 1995. The dollar will still be supported by higher interest rates in Canada that will continue to draw in foreign capital.

Canadian Economic Outlook

The Canadian economy began its economic recovery in the second quarter of 1991, although output declined an estimated 0.8 per cent for the year as a whole. Growth is expected to be 3.5 per cent in 1992 and to average 3.4 per cent per year over the medium term, slightly less buoyant than growth in Ontario.

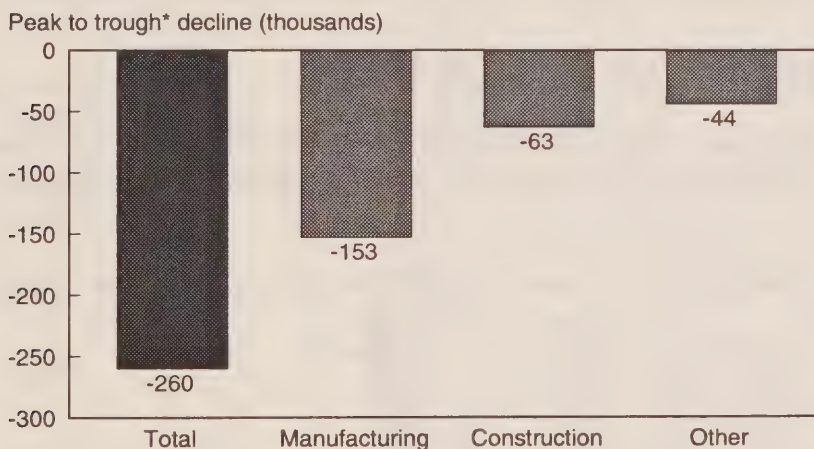
Employment in Canada has declined by an estimated 1.8 per cent in 1991, but is forecast to recover by 1.7 per cent 1992. The national unemployment rate is forecast to ease only slightly from an estimated 10.3 per cent this year to 10.1 per cent in 1992, as discouraged workers return to the labour force. Employment growth is forecast to average 2.4 per cent during the 1993-95 period, while the unemployment rate will average 9.4 per cent over the same period.

CPI inflation will decline to 3.2 per cent in 1992. It reached 5.7 per cent in 1991, in part because of the Goods and Services Tax (GST). The Bank of Canada's aggressive pursuit of stable prices is expected to keep the national CPI inflation rate to an annual average of 3.3 per cent over the medium term.

The Impact of the Recession

Ontario is now emerging from what was, by some measures, the most severe downturn since the Great Depression. The recession for the economy as a whole lasted from early 1990 until early 1991, longer than any other post-Depression downturn except the 1981-82 recession. Over the twelve months of the recession, total output fell by more than 5 per cent and a record 260,000 jobs were lost. Over 80 per cent of the record job loss was in Ontario's manufacturing and construction sectors.

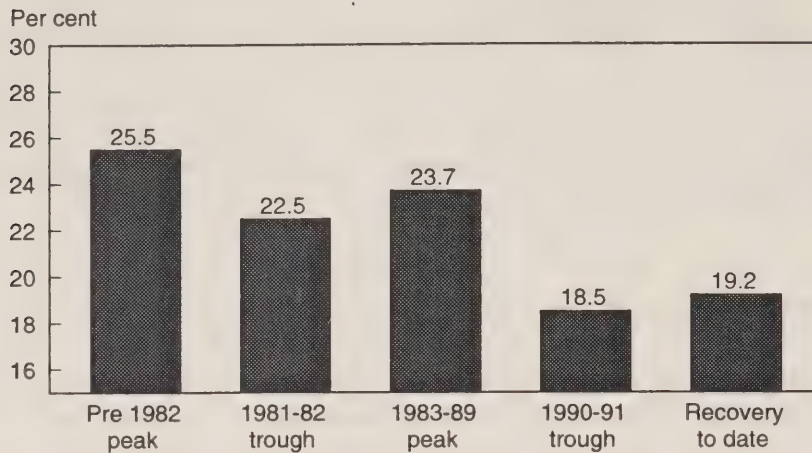
1990-91 Ontario Job Loss by Sector



*February 1990 to February 1991.
Source: Statistics Canada.

For the manufacturing sector, the downturn was much longer and more severe than the decline for the economy as a whole. The manufacturing decline lasted two years, with a decline in shipments of 16 per cent. As a result, manufacturing's share of the Ontario economy continued its long-term declining trend during the 1990-91 recession. Particularly hard hit were industries vulnerable to free trade and deteriorating competitive conditions, including carpets, furniture and shoes. These industries tend to be relatively low-wage industries with limited requirements for formal education and training.

Manufacturing Employment as a Share of Total Employment



Source: Statistics Canada.

The construction sector has also been hit disproportionately hard by the recession. This reflects the overbuilding of commercial, industrial and residential properties in the late 1980s, combined with tight monetary policy in 1989 and 1990.

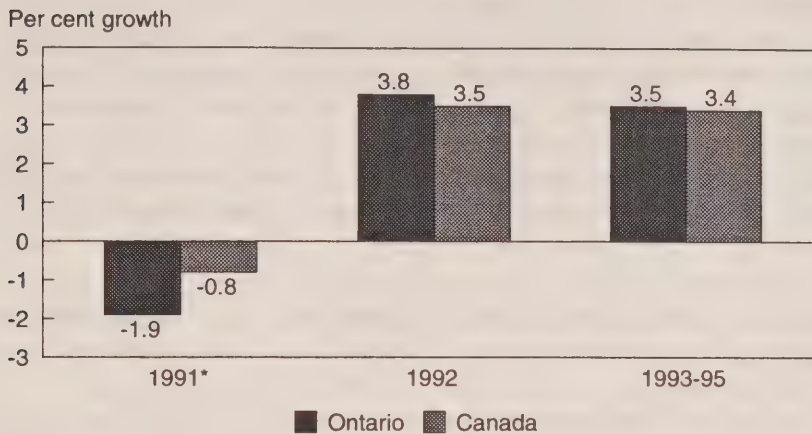
The Short- and Medium-Term Outlook

The recovery now under way is expected to be much more modest than the expansions that have followed most other post-war recessions. Factors expected to contribute to slower overall growth include:

- The relatively weak growth expected in the United States and other industrialized countries;
- Continuing high consumer and business debt loads;
- High real interest rates;
- A high Canadian dollar; and,
- Ongoing restructuring to meet increased global competition.

Ontario's real output is expected to grow by 3.8 per cent in 1992 and by an average of 3.5 per cent per year over the 1993-95 period. In the near term, the leading sectors of the economy are expected to be housing and industrial machinery and equipment investment, as homebuilders undertake construction postponed during the recession and firms move to improve technology and increase productivity in an increasingly competitive environment.

Real Growth: Ontario and Canada 1991 - 1995

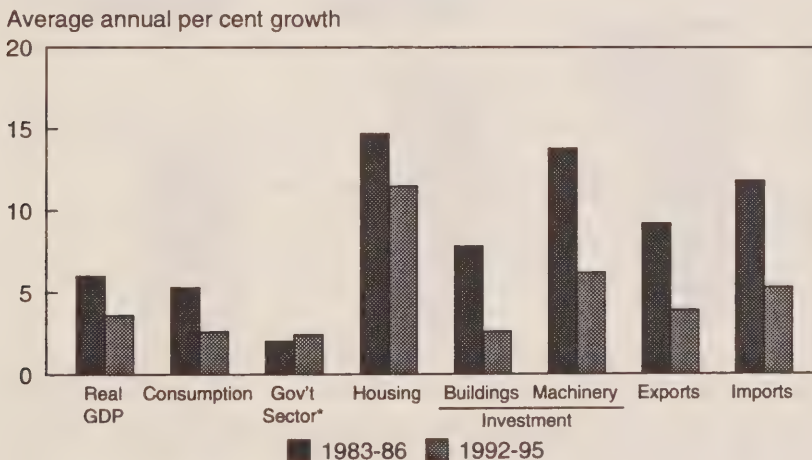


*Estimate for 1991.

Source: Statistics Canada and Ontario Ministry of Treasury and Economics.

Over the medium term, the expansion is expected to be more broadly based. Higher immigration levels, lower nominal interest rates and steady job gains will support housing and consumer spending. Improving corporate profits, higher capacity utilization and strengthening demand will combine with lower debt financing costs to allow a moderate recovery of business investment.

1992-95 Compared to the 1983-86 Expansion



* Government sector excludes transfers and public debt interest.

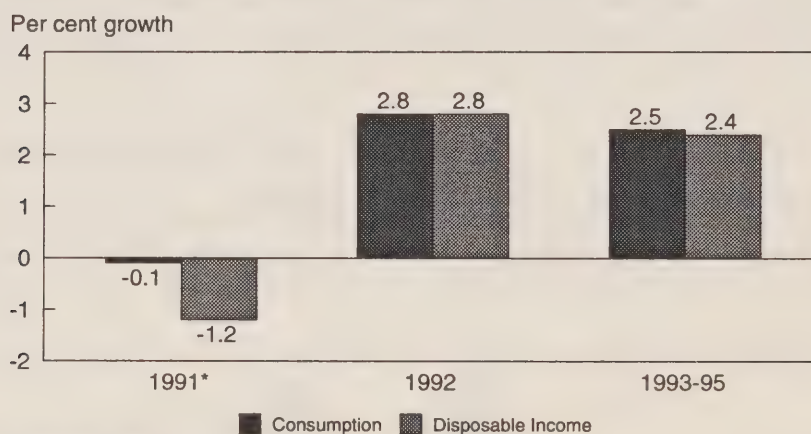
Source: Ontario Ministry of Treasury and Economics.

Consumer Spending To Advance Slowly

Real consumption declined by an estimated 0.1 per cent in 1991, following a slight rise of 0.4 per cent in 1990. The drop in real consumer spending in 1991, the first since 1982, was the result of several factors. The GST severely dampened consumer spending, especially in the first quarter of 1991, and record job loss reduced real personal income. A weak housing market curbed housing-related expenditures. The high level of household debt relative to disposable income and falling consumer confidence have also deterred consumers from going further into debt or dipping into savings to finance their purchases. Dampened by the GST, retail sales fell an estimated 7.0 per cent in 1991 when compared with Federal Sales Tax (FST)-inclusive sales in 1990.

In 1992, lower interest rates, improved housing and labour markets and a pick-up in consumer confidence are expected to lead to a 2.8 per cent rise in real consumption. Spending on goods is expected to become a major source of growth in consumption in 1992, aided by a rebound in spending on autos and house-related durables. Reflecting the strengthened consumer spending on goods, retail sales are expected to rebound by 5.3 per cent in 1992.

Real Consumption and Real Personal Disposable Income: 1991 - 1995



*Estimate for 1991.

Source: Ontario Ministry of Treasury and Economics.

Over the 1993-1995 period, real consumer spending is forecast to expand by a modest 2.5 per cent annually, supported by steady job gains, higher incomes and a moderate decline in the savings rate. Consumer spending is expected to grow at less than half the 5.8 per cent pace recorded during the 1984-86 period. This is due to higher debt burdens, slower employment growth, and a significantly lower savings rate exiting the 1990-91 recession. More moderate increases in real consumer spending and inflation will result in much lower growth in retail sales during the 1993-1995 period than in the 1984-86 period.

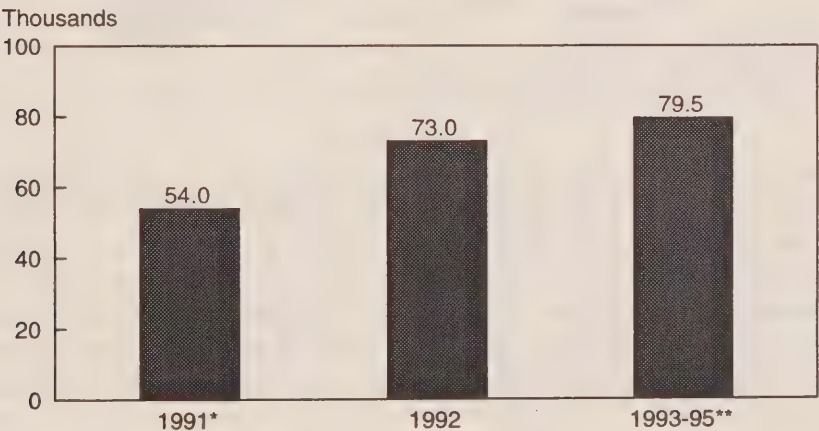
Housing Recovery to Lead Economy

Real residential investment fell an estimated 14.7 per cent in 1991. Housing starts are estimated at 54,000 for 1991, down from 62,649 starts in 1990. Socially-assisted starts totalled 15,000 units in 1991, providing significant support for the residential construction industry. Low consumer confidence, higher unemployment, and declining employment and incomes account for the sluggish state of the housing market.

Real residential investment is expected to increase 19.8 per cent in 1992 and 8.9 per cent annually during the following three years, leading Ontario's economy. Housing starts are projected to increase to 73,000 in 1992, of which 14,000 units will be socially-assisted units.¹ Over the medium term, housing starts are forecast to average 79,500 per year, rising from 76,500 starts in 1993 to 82,500 in 1995. A number of factors support a return to a stronger housing market over the next several years:

- Lower mortgage interest rates in nominal terms and restrained home prices will improve affordability.
- Consumer confidence will improve, reflecting a stronger economy and steady job growth.
- Higher immigration and pent-up demand from the recession will increase demand for housing.

**Ontario Housing Starts
1991 - 1995**



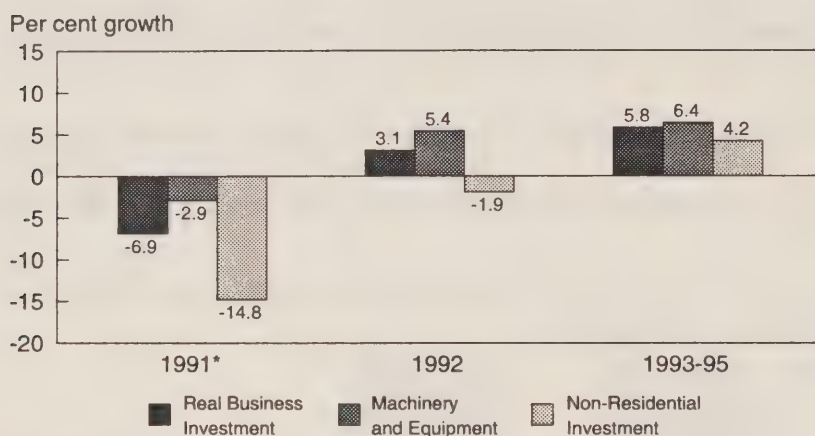
*Estimate for 1991.
** Average Annual 1993-95.
Source: Ontario Ministry of Treasury and Economics.

¹ Socially-assisted housing starts reflect existing programs only.

Modest Recovery in Equipment Investment, Continued Weakness in Plant Construction

Total real business investment in Ontario fell an estimated 6.9 per cent in 1991, but is expected to grow by a modest 3.1 per cent in 1992. The rise in 1992 reflects a 5.4 per cent increase in investment in industrial machinery and equipment, spurred by lower interest rates and competitive pressures. Business spending on machinery and equipment is expected to increase by an average 6.4 per cent per year over the medium term. This is considerably less than the robust 16.5 per cent rate of growth during the 1984-86 period, which relied on significant additions to auto capacity in the province.

Real Business Investment 1991 - 1995



*Estimate for 1991.

Source: Ontario Ministry of Treasury and Economics.

After declining by an estimated 14.8 per cent in 1991, real non-residential construction will decrease by a further 1.9 per cent in 1992. Weakness due to the excess supply of office, retail and industrial property will be partially offset by ongoing construction in the utilities sector. Non-residential construction is expected to rise by an average 4.2 per cent over the 1993-95 period, less than a third of the 13.8 per cent pace during the 1984-86 period. Plant construction is not expected to surpass its 1989 peak during this forecast horizon, held back by high vacancy rates in commercial property and restructuring in the head office and financial services industry.

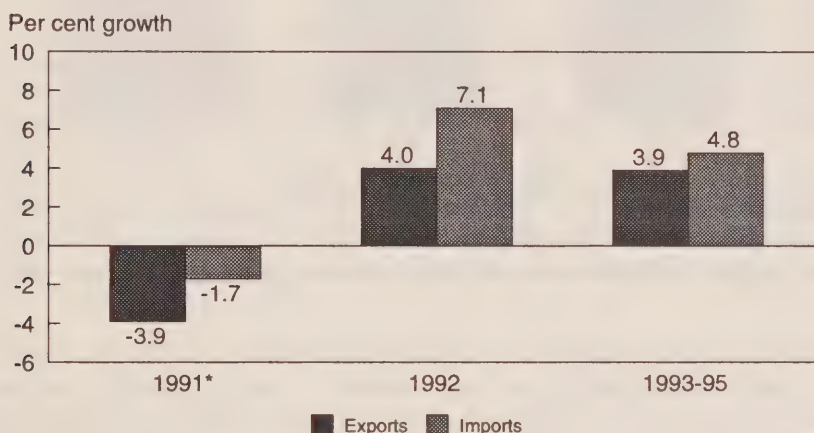
Important factors that will restrain Ontario businesses from substantially increasing investment include the high dollar, sluggish North American demand growth, and low capacity utilization rates. As of the second quarter of 1991, capacity utilization in Canada's manufacturing industries (more than half of which are located in Ontario) was 72.7 per cent, down substantially from the early-1988 high of over 87 per cent.

Another factor limiting an early return to healthy business investment is a record 63 per cent decline in corporate profits since 1989. The high dollar and the greater severity of the recession in the manufacturing and construction industries have hit profits in Ontario hard. Corporate profits appear to have begun a cyclical recovery, with a 10.4 per cent quarterly gain in 1991:2. However, profit levels are projected to remain below previous peak levels over the medium term.

Trade Sector to Remain Weak

In 1991, Ontario's real trade surplus is estimated to have fallen \$2.7 billion to \$7.3 billion as exports fell more than imports. The U.S. recession and the high value of the dollar led Ontario's real exports to decline 3.9 per cent in 1991. Weak consumer spending and subdued domestic investment account for the estimated 1.7 per cent drop in real imports this year.

**Real External Trade
1991 - 1995**



*Estimate for 1991.

Source: Ontario Ministry of Treasury and Economics.

In 1992, Ontario's real trade surplus is expected to decline further to only \$4.3 billion as import growth outpaces export growth. Real exports are expected to post a gain of only 4.0 per cent next year, limited by the sluggish recovery in the United States. Stronger consumption and increased machinery and equipment investment will support a 7.1 per cent rise in real imports in 1992.

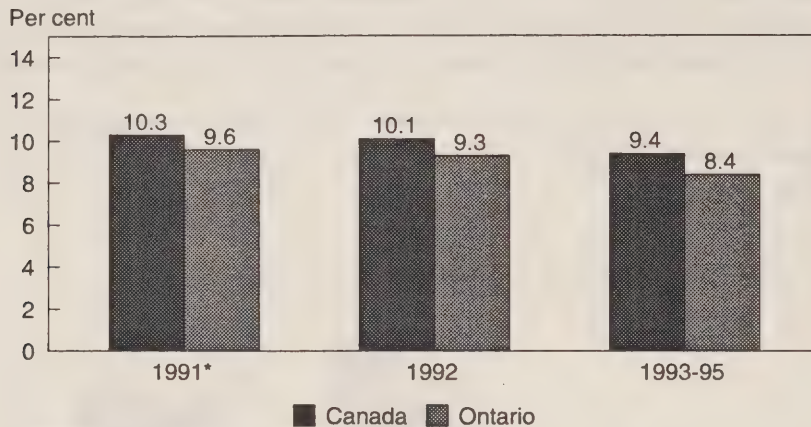
Over the 1993-95 period, Ontario's trade balance is forecast to continue to decline as real exports rise by 3.9 per cent per year, while imports increase at an average 4.8 per cent annual rate. The province's medium-term trade performance will be much weaker than in the 1984-86 period, mainly due to the high dollar, modest U.S. growth, and ongoing restructuring.

Trade growth will be helped by a cyclical recovery in U.S. auto sales. Ontario is expected to maintain its share of North American auto production in the 1990s as the required capacity to meet North American demand is already in place.

Labour Markets to Improve, But Unemployment to Decline Slowly

Total employment is estimated to have fallen by a record 162,000 in 1991, following a decline of 12,000 in 1990. So far this year, Ontario employment has increased by 44,000 from its February 1991 trough, about half the pace of the 1983 recovery. In 1992, employment is forecast to rise by 101,000 with the most rapid recovery likely in residential construction and manufacturing, the sectors hardest hit during the recession.

**Canada and Ontario Unemployment Rate
1991 - 1995**



* Estimate for 1991.

Source: Ontario Ministry of Treasury and Economics.

In 1991, Ontario's unemployment rate averaged an estimated 9.6 per cent, up from 6.3 per cent in 1990. As a result of the recession, the province's unemployment rate reached a high of 10.2 per cent in June, more than double the low of 4.8 per cent in September 1989. In 1992, the unemployment rate is expected to decline slightly to 9.3 per cent, as the resumption of modest job growth is partially offset by the return of discouraged workers to the labour force.

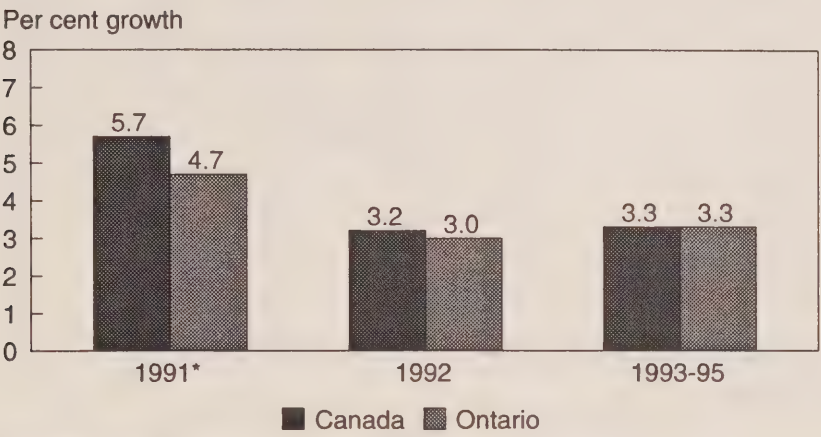
Over the medium term, increased immigration and stronger domestic demand, particularly from an improved housing market, will stimulate job creation to an annual average 2.7 per cent rise (133,000 net new jobs per year). Nevertheless, employment is not likely to regain its pre-recession peak until mid-1993. Furthermore, higher immigration levels and the negative effect of a high dollar on Ontario's export and import-competing sectors will keep the unemployment rate above 8 per cent until 1995.

Inflation Will Continue to Ease

In 1991, the Ontario CPI inflation rate averaged an estimated 4.7 per cent, down slightly from 4.8 per cent in 1990. CPI inflation has eased from the GST-induced high of 5.7 per cent in January to well below 4 per cent in recent months. The moderation in inflation reflects the degree of weakness in the economy caused by the Bank of Canada's anti-inflation policy. The high dollar has also had a substantial moderating impact on inflation.

In 1992, CPI inflation in Ontario is forecast to decline to 3.0 per cent due mainly to the continuing high value of the Canadian dollar, lower mortgage interest costs and lower wage settlements due to high unemployment.

**Canada and Ontario CPI Inflation Rate
1991 - 1995**



*Estimate for 1991.
Source: Ontario Ministry of Treasury and Economics.

The moderate pace of expansion in the medium term, continuing high unemployment and restrained home prices are forecast to reduce CPI inflation from 3.6 per cent in 1993 to 2.9 per cent in 1995, below the upper end of the Bank of Canada's inflation target range.

The Ontario Economy, 1990-1995

	(per cent change)					
	1990	1991	1992	1993	1994	1995
Real Gross Domestic Product	-0.8	-1.9	3.8	3.7	3.5	3.4
Consumption	0.4	-0.1	2.8	2.6	2.4	2.5
Government	4.9	5.4	1.6	3.0	2.0	3.0
Residential Construction	-14.7	-14.7	19.8	9.8	8.9	7.9
Non-Residential Construction	-13.7	-14.8	-1.9	4.5	4.8	3.4
Machinery and Equipment	-8.2	-2.9	5.4	6.5	6.8	5.9
Exports	2.1	-3.9	4.0	3.9	3.5	4.3
Imports	-1.8	-1.7	7.1	5.1	4.4	4.8
Nominal Gross Domestic Product	2.0	1.3	6.8	6.8	6.5	6.3
Other Economic Indicators						
Retail Sales *	-0.1	-7.0	5.3	6.0	5.5	5.3
Housing starts (000s)	62.6	54.0	73.0	76.5	79.5	82.5
Personal Income	7.5	3.9	6.2	6.4	6.0	5.8
Pretax Corporate Profits	-31.2	-27.5	50.6	17.0	8.0	7.0
Consumer Price Index						
Canada	4.8	5.7	3.2	3.6	3.3	2.9
Ontario	4.8	4.7	3.0	3.6	3.3	2.9
Labour Market						
Labour Force	1.0	0.3	1.8	2.1	2.2	2.1
Employment	-0.2	-3.3	2.1	2.6	2.6	2.7
Unemployment Rate (per cent)	6.3	9.6	9.3	8.9	8.5	7.9

* Retail sales include Federal Sales Taxes in 1990 but exclude GST from 1991.

Source: Statistics Canada and Ontario Ministry of Treasury and Economics, November 1991.

APPENDICES

I.	Labour Market and Compensation Data	76
II.	Sectoral and Regional Economic Data	77
III.	Macroeconomic Indicators	84

Ontario Labour Market and Compensation Data

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991*
Labour Force											(Jan-Oct)
Ontario Labour Force (000)	4,463	4,502	4,561	4,655	4,758	4,862	4,992	5,118	5,214	5,268	5,286
Annual Labour Force Growth (%)	2.6	0.9	1.3	2.1	2.2	2.2	2.7	2.5	1.9	1.0	0.3
Male Participation Rate (%)	80.4	79.3	78.6	78.5	78.7	78.9	78.9	78.7	78.8	77.8	76.5
Female Participation Rate (%)	55.5	55.9	56.5	57.4	58.1	58.6	59.7	61.0	61.2	61.4	61.0
Youth (15-24) Share of Labour Force (%)	24.9	24.0	23.5	23.1	22.5	22.0	21.6	20.6	20.0	19.1	18.4
Older Worker (45+) Share (%)	28.4	28.3	27.8	27.4	27.6	26.8	26.9	27.0	26.9	27.2	27.2
Employment											
Total Employment in Ontario (000)	4,171	4,063	4,089	4,235	4,377	4,524	4,689	4,862	4,949	4,937	4,776
Annual Employment Growth (%)	2.9	(2.6)	0.6	3.6	3.4	3.4	3.6	3.7	1.8	(0.2)	(3.6)
Male Employment (000)	2,427	2,329	2,322	2,396	2,465	2,541	2,621	2,688	2,730	2,693	2,582
Female Employment (000)	1,744	1,735	1,767	1,839	1,912	1,983	2,067	2,174	2,219	2,244	2,194
Net Job Creation (000)	118	(108)	26	146	142	147	165	173	87	(12)	(180)
Manufacturing Employment (% of total)	24.8	23.4	22.8	23.2	22.8	22.4	22.0	21.1	20.8	19.6	18.7
Services Employment (% of total)	65.1	67.2	67.8	67.6	67.9	68.3	68.4	69.4	69.1	70.6	72.1
Part-Time (% of total)	14.5	15.3	16.0	15.7	15.7	15.5	15.2	15.6	15.5	15.8	16.7
Average Hours Worked Per Week	37.2	37.0	37.4	37.6	37.7	37.7	37.7	38.2	38.6	38.1	37.4
Unemployment											
Total Unemployment in Ontario (000)	292	439	472	420	381	338	304	256	264	331	510
Ontario Unemployment Rate (%)	6.6	9.7	10.3	9.0	8.0	7.0	6.1	5.0	5.1	6.3	9.6
Male Unemployment Rate (%)	6.0	9.7	10.4	8.7	7.6	6.6	5.4	4.5	4.7	6.3	10.1
Female Unemployment Rate (%)	7.4	9.8	10.3	9.5	8.5	7.4	6.9	5.6	5.5	6.3	9.1
Rate in Toronto Area (%)	4.9	8.1	9.0	7.8	6.7	5.5	4.5	3.7	4.0	5.3	9.5
Rate in Northern Ontario (%)	7.8	12.1	12.1	13.6	10.5	11.0	9.8	7.8	7.5	8.2	11.3
Youth (15-24) Unemployment Rate (%)	6.6	9.7	10.3	14.9	13.1	11.5	9.8	8.2	8.0	10.5	15.6
Older Worker (45+) Unemployment Rate (%)	3.7	6.2	6.6	6.1	5.5	4.6	4.5	3.5	3.3	4.1	6.9
Long-Term (27 wks+) Unemployment (% of total)	14.0	16.4	25.8	22.4	19.7	18.0	16.4	12.9	13.3	13.9	21.9
Youth (15-24) Share of Unemployed (% of total)	46.9	42.4	40.5	38.1	36.8	36.7	34.5	34.0	31.8	32.0	29.8
Older Worker (45+) Share (% of total)	16.1	18.0	17.8	18.6	18.9	17.8	19.7	18.8	17.8	17.5	19.4
Average Duration for Youth (weeks)	12.0	13.5	17.1	14.2	12.5	12.3	10.7	8.7	8.6	10.2	13.4
Average Duration for Older Workers (weeks)	18.6	18.5	25.4	25.4	23.7	23.5	22.1	19.9	19.3	18.9	22.3
Unemployment Insurance and Social Assistance											
UI Regular Beneficiaries (000)	141	259	285	241	224	194	166	169	163	222	349
Maximum Weekly Insurable Earnings (\$)	315	350	385	425	460	495	530	565	605	640	680
Maximum Weekly Entitlement (\$)	189	210	231	255	276	297	318	339	363	384	408
Benefits Paid To Ontario (\$Million)	1,258	2,381	2,859	2,517	2,551	2,483	2,387	2,370	2,470	3,419	3,758
Premiums Paid From Ontario (\$Million)	1,862	1,816	2,799	3,158	3,574	3,946	4,379	4,804	4,346	5,230	n.a.
Social Assistance Caseload (000)	197	218	247	257	261	268	279	289	306	365	483
Major Layoffs, Strikes and Lockouts											
Major Layoffs (Number of Establishments)	130	235	120	122	116	92	93	97	139	202	186
Number of Workers Affected by Major Layoffs	19,724	46,047	17,213	14,824	13,902	13,503	13,925	13,266	17,526	31,787	21,697
Share of Workers Laid Off Due to Closure (%)	35.0	24.2	38.5	53.1	55.5	60.2	72.6	69.8	72.4	64.7	61.4
Person Days Lost due to Strikes and Lockouts(000)	2,259	2,207	760	1,414	1,232	941	1,109	1,362	869	2,958	403
Compensation											
Average Weekly Earnings (\$)	327.04	358.97	373.65	390.09	407.25	422.45	441.68	466.04	492.28	520.04	546.88
AWE Increase (%)	11.7	9.8	4.1	4.4	4.4	3.7	4.6	5.5	5.6	5.6	6.1
CPI Inflation (%)	12.0	10.7	6.2	4.9	4.1	4.4	5.1	4.7	5.8	4.8	4.7
AWE Increase Less CPI Inflation (%)	(0.3)	(0.9)	(2.1)	(0.5)	0.3	(0.7)	(0.5)	0.8	(0.2)	0.8	0.9
AWE - Manufacturing (\$)	358.38	396.19	428.61	450.98	475.26	492.16	509.02	531.22	559.09	595.31	625.23
AWE - Manufacturing Increase (%)	12.1	10.6	8.2	5.2	5.4	3.6	3.4	4.4	5.2	6.5	5.8
AWE - Manufacturing Less CPI Inflation (%)	0.1	(0.1)	2.0	0.3	1.3	(0.8)	(1.7)	(0.3)	(0.6)	1.7	0.6
Collective Bargaining Settlements											
- 500+ (% Increase)	12.3	10.4	6.2	4.5	5.1	4.4	4.9	5.3	6.5	6.7	6.0
- Public (% Increase)	12.7	11.9	6.2	5.4	5.2	5.0	4.9	5.0	6.5	7.0	6.2
- Private (% Increase)	11.2	8.9	6.0	4.0	4.7	3.7	4.8	5.6	6.4	6.6	5.1
Minimum Wage at Year End (\$/hour)	3.50	3.50	3.50	4.00	4.00	4.35	4.55	4.75	5.00	5.40	6.00

* Preliminary, some figures less than 10 months. Unemployment Benefits paid to Ontario, Layoff, and Strike and Lockout data are cumulative.

Ontario Employment by Sector, 1983 to 1990
Annual Averages (000s)

Sectors ^a	1983	1984	1985	1986	1987	1988	1989	1990
Physical & Social Infrastructure	979	997	1,019	1,046	1,077	1,091	1,127	1,157
Knowledge-based	328	327	340	337	369	359	384	363
Business Services	282	300	319	337	334	372	376	371
Construction	168	173	196	209	213	208	224	206
Automotive	215	221	225	238	242	239	248	237
Industrial Materials	301	280	288	302	294	297	296	266
Resource-based	121	115	113	118	118	118	118	109
Consumer Products & Distribution	551	574	585	591	624	650	654	629
Tourism & Hospitality	283	283	301	335	358	323	327	315
Agriculture ^b & Food	328	314	323	316	327	321	331	313
Other	288	304	320	332	332	328	325	313
Total	3,843	3,888	4,029	4,161	4,289	4,306	4,407	4,277

a Composition of sectors explained in text.

b Labour Force Survey.

Source: Statistics Canada: Employment, Earnings and Hours, 72-002, Ministry of Treasury and Economics.

Share of Employment by Sectors, Ontario, 1983 to 1990
Annual Averages (per cent)

Sectors	1983	1984	1985	1986	1987	1988	1989	1990
Physical & Social Infrastructure	25.5	25.6	25.3	25.1	25.1	25.3	25.6	27.0
Knowledge-based	8.5	8.4	8.5	8.1	8.6	8.3	8.7	8.5
Business Services	7.3	7.7	7.9	8.1	7.8	8.6	8.5	8.7
Construction	4.4	4.4	4.9	5.0	5.0	4.8	5.1	4.8
Automotive	5.6	5.7	5.6	5.7	5.7	5.5	5.6	5.5
Industrial Materials	7.8	7.2	7.1	7.3	6.8	6.9	6.7	6.2
Resource-based	3.2	3.0	2.8	2.8	2.8	2.7	2.7	2.5
Consumer Products & Distribution	14.3	14.8	14.5	14.2	14.6	15.1	14.8	14.7
Tourism & Hospitality	7.4	7.3	7.5	8.1	8.3	7.5	7.4	7.4
Agriculture ^a & Food	8.5	8.1	8.0	7.6	7.6	7.4	7.5	7.3
Other	7.5	7.8	8.0	8.0	7.7	7.6	7.4	7.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

a Labour Force Survey

Source: Statistics Canada: Employment, Earnings and Hours, Ministry of Treasury and Economics.

Employment/Population Ratio by Geographic Region, Ontario, Annual Averages, 1984 to 1990

	1984	1985	1986	1987	1988	1989	1990
	per cent						
Ontario	61.5	62.6	63.7	64.8	66.1	66.3	65.0
Eastern	61.3	60.9	62.3	63.9	65.6	64.2	63.4
Central	63.0	64.3	65.4	66.7	67.6	67.9	66.7
Southwestern	60.2	60.3	62.4	62.4	64.8	65.7	62.8
Northeastern	51.4	55.7	54.2	53.8	55.1	56.2	56.2
Northwestern	58.7	60.5	59.4	60.8	63.4	61.6	62.4

Unemployment Rates by Geographic Region, Ontario, Annual Averages, 1984 to 1990

	1984	1985	1986	1987	1988	1989	1990
	per cent						
Ontario	9.0	8.0	7.0	6.1	5.0	5.1	6.3
Eastern	9.0	8.6	7.7	6.9	5.6	6.1	6.4
Central	8.5	7.5	6.3	5.3	4.5	4.5	5.9
Southwestern	8.9	8.4	7.2	6.9	5.5	5.3	7.0
Northeastern	14.9	10.7	11.2	10.6	8.6	8.1	9.0
Northwestern	9.7	10.2	10.6	7.7	6.1	5.9	6.5

Source: Statistics Canada, Labour Force Survey, special tabulations.

Employment/Population Ratio by Census Metropolitan Area, Ontario, Annual Averages, 1981 to 1990

	Employment/Population Ratio									
	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
	000's									
Ottawa-Hull	66.5	63.4	64.1	63.6	65.0	65.4	66.8	69.7	67.8	67.8
Sudbury	55.8	48.4	50.0	49.7	50.7	53.6	54.6	55.5	57.4	57.8
Oshawa	60.0	58.8	61.0	61.9	66.2	68.0	68.4	68.9	69.9	68.5
Toronto	68.1	65.3	64.5	65.2	66.6	67.6	68.7	68.9	69.4	67.9
Hamilton	61.7	58.5	56.8	60.4	59.4	62.7	65.5	66.2	66.8	66.8
St. Catharines-Niagara	58.6	53.3	51.7	56.2	55.9	54.5	56.9	58.9	56.3	59.9
London	62.5	61.7	62.0	62.7	62.0	64.7	65.2	66.9	67.9	65.2
Windsor	52.0	53.4	52.5	57.8	56.2	57.4	58.7	61.9	62.8	60.0
Kitchener-Waterloo	66.2	66.3	64.7	64.8	67.6	67.9	67.6	70.6	72.1	68.9
Thunder Bay	55.7	56.7	58.3	55.6	60.8	60.5	62.3	62.4	61.4	61.5
Cornwall	-	-	-	-	-	59.4	59.3	66.0	65.5	56.2
Kingston	-	-	-	-	-	62.7	62.2	65.1	65.8	62.0
Peterborough	-	-	-	-	-	56.7	59.2	58.6	59.7	54.2
Guelph	-	-	-	-	-	67.0	67.0	67.5	66.4	68.2
Brantford	-	-	-	-	-	62.0	61.6	64.1	68.5	64.4
Sarnia	-	-	-	-	-	60.2	62.1	60.4	62.8	56.8
Sault Ste. Marie	-	-	-	-	-	53.3	52.7	52.5	58.9	57.3
North Bay	-	-	-	-	-	54.6	57.8	59.0	59.2	58.5

Unemployment Rates by Census Metropolitan Area, Ontario, Annual Averages, 1981-1990

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
	per cent									
Ottawa-Hull	7.1	8.3	8.4	8.5	8.3	8.4	7.3	5.0	6.0	5.9
Sudbury	8.6	18.9	14.8	15.5	13.5	11.4	11.5	9.8	7.9	8.2
Oshawa	7.5	11.5	10.5	8.1	7.2	6.1	6.4	5.2	4.1	7.0
Toronto	4.9	8.1	9.0	7.8	6.7	5.5	4.5	3.7	4.0	5.3
Hamilton	6.4	11.7	11.9	9.6	8.8	6.9	6.3	5.7	5.1	6.3
St. Catharines-Niagara	9.6	13.7	15.7	10.2	10.7	9.8	9.3	6.4	7.2	7.4
London	7.0	9.4	9.6	7.6	8.8	7.1	7.1	4.4	4.2	5.9
Windsor	11.5	13.7	14.3	10.9	8.4	8.1	9.3	7.9	8.1	8.9
Kitchener-Waterloo	8.1	10.0	9.9	8.2	7.2	5.9	5.8	5.1	4.9	6.5
Thunder Bay	...	11.3	11.4	10.0	10.7	10.4	8.2	6.1	...	7.8

Notes: Data for 1981 to 1983 are based on 1971 boundaries; from 1984 on data are based on 1981 boundaries.

... indicates variability of more than 33.3 percent and/or is less than 4,000.

Source: Statistics Canada, Labour Force Survey.

Employment by Occupation and Geographic Region
Annual Averages, Ontario, 1984 to 1990

	1984	1985	1986	1987	1988	1989	1990
Ontario							
All Occupations (000's)	4,234	4,376	4,524	4,688	4,862	4,950	4,935
Share of total Employment in Region (%)							
Managerial	27.7	28.9	28.6	29.3	30.2	29.9	30.8
Clerical	17.5	17.4	16.7	17.0	17.4	17.2	17.3
Sales	9.6	9.1	9.7	9.3	9.5	9.3	9.8
Service	13.0	13.3	13.0	12.6	12.4	12.2	12.3
Primary	3.8	3.6	3.3	3.2	3.1	3.1	2.9
Processing	16.1	15.4	15.6	15.2	14.6	15.1	14.1
Construction	4.9	4.9	5.4	5.6	5.5	6.0	5.9
Transportation	3.3	3.5	3.4	3.6	3.4	3.6	3.5
Materials Handling	3.9	3.9	4.3	4.1	3.8	3.7	3.4
Eastern Ontario							
All Occupations (000's)	584	589	611	637	669	664	669
Share of total Employment in Region (%)							
Managerial	32.0	35.0	34.3	34.3	35.8	34.9	36.5
Clerical	19.3	16.6	16.7	16.1	17.5	16.5	16.4
Sales	8.4	8.7	9.0	8.6	8.7	8.0	8.8
Service	13.9	14.8	14.4	14.3	13.8	14.7	13.8
Primary	4.1	3.7	3.9	4.5	3.1	2.7	3.1
Processing	11.0	9.3	9.8	9.4	9.7	9.8	9.4
Construction	5.0	5.3	5.1	5.6	5.7	5.9	5.7
Transportation	3.6	3.4	3.4	3.8	3.3	4.1	3.3
Materials Handling	2.7	3.2	3.4	3.1	2.5	3.3	3.0
Central Ontario							
All Occupations (000's)	2,743	2,854	2,963	3,092	3,193	3,268	3,268
Share of total Employment in Region (%)							
Managerial	28.6	29.6	29.1	30.1	30.9	30.7	31.3
Clerical	18.4	18.4	17.6	17.9	18.5	18.1	18.2
Sales	9.8	9.3	10.0	9.8	9.7	9.7	10.3
Service	12.4	12.6	12.1	11.5	11.5	11.1	11.4
Primary	2.3	1.9	1.9	1.7	1.9	1.9	1.8
Processing	16.6	16.0	16.2	15.9	14.9	15.6	14.4
Construction	4.7	4.6	5.3	5.5	5.2	5.8	5.8
Transportation	2.9	3.4	3.2	3.5	3.3	3.2	3.3
Materials Handling	4.3	4.2	4.6	4.4	4.2	3.8	3.5
Southwestern Ontario							
All Occupations (000's)	589	594	619	625	658	674	651
Share of total Employment in Region (%)							
Managerial	23.5	22.8	23.1	24.0	24.4	24.0	25.3
Clerical	12.9	14.2	13.9	14.4	13.9	14.9	14.6
Sales	10.0	8.9	9.0	8.6	9.7	9.2	8.9
Service	13.4	13.5	13.4	13.9	13.2	13.1	13.1
Primary	8.7	8.8	7.3	6.7	6.8	6.8	6.1
Processing	19.6	20.1	19.7	19.0	19.0	18.6	18.3
Construction	4.9	4.9	5.5	5.4	5.8	6.0	6.0
Transportation	3.6	3.4	3.9	3.7	3.3	4.0	4.1
Materials Handling	3.6	3.7	4.2	4.2	4.0	3.7	3.5
Northeastern Ontario							
All Occupations (000's)	222	237	230	229	232	236	237
Share of total Employment in Region (%)							
Managerial	20.0	23.5	23.0	21.0	23.2	23.6	24.8
Clerical	15.5	15.1	14.3	14.8	14.6	15.2	15.1
Sales	8.6	9.2	9.6	8.3	8.6	8.4	8.4
Service	16.4	16.0	17.8	17.5	17.2	16.0	16.8
Primary	8.6	8.4	8.7	8.3	7.7	6.8	6.3
Processing	15.0	12.6	13.0	14.8	14.2	13.5	12.6
Construction	6.8	6.3	6.1	7.4	6.9	8.0	7.6
Transportation	5.9	4.6	3.9	4.4	4.3	4.6	5.0
Materials Handling	4.1	3.8	3.5	3.5	3.0	3.4	2.9
Northwestern Ontario							
All Occupations (000's)	99	102	99	104	109	107	110
Share of total Employment in Region (%)							
Managerial	20.2	23.5	24.8	26.9	27.3	25.2	26.4
Clerical	15.2	15.7	14.9	15.4	13.6	15.0	14.5
Sales	8.1	7.8	8.9	7.7	8.2	8.4	9.1
Service	17.2	16.7	15.8	17.3	14.5	15.0	17.3
Primary	5.1	5.9	5.9	6.7	8.2	8.4	7.3
Processing	15.2	15.7	13.9	11.5	12.7	13.1	10.9
Construction	8.1	5.9	5.9	5.8	5.5	6.5	6.4
Transportation	6.1	4.9	4.0	4.8	5.5	4.7	4.5
Materials Handling	5.1	3.9	4.0	3.8	3.6	3.7	3.6

Source: Statistics Canada, Labour Force Survey.

Exports by Ontario and Canada, 1981 to 1990

Year	Ontario		Canada	
	Exports	% Change	Exports	% Change
	\$ millions		\$ millions	
1981	34,042	15.4	83,698	10.2
1982	36,842	8.2	84,403	0.8
1983	41,706	13.2	90,964	7.8
1984	55,202	32.4	112,495	23.7
1985	59,382	7.6	119,241	6.0
1986	62,593	5.4	120,495	1.1
1987	61,044	-2.5	125,087	3.8
1988	67,376	10.4	137,695	10.1
1989	67,425	0.1	137,284	-0.3
1990	74,414	10.4	148,170	7.9

Source: Statistics Canada.

Exports by Ontario and Canada to Major Regions, 1990

Region	Ontario		Canada	
	Exports	%	Exports	%
United States	64,358	86.5	111,202	75.1
Western Europe	5,271	7.1	14,289	9.6
- EEC	3,710	5.0	11,981	8.1
- Other W. Europe	1,562	2.1	2,308	1.6
Eastern Europe	113	--	1,318	0.1
Asia/Pacific Rim	3,125	4.2	16,206	10.9
- Pacific Rim	2,986	4.0	15,651	10.6
- South Asia	131	0.2	521	0.4
- Other Asia	8	--	34	--
Latin America and Caribbean ^b	900	1.2	2,670	1.8
Middle East	320	0.4	1,425	1.0
Africa	328	0.4	1,062	0.7
Total^a	74,414	100.0	148,170	100.0

^a Figures may not add due to rounding.

^b Latin American and Caribbean = South America, Central America & Antilles.

Source: Statistics Canada.

Ontario Exports: Top 25 Commodities^a, 1990

Product	Exports (\$ millions)	Share of 1990 Exports
Motor Car/Vehicles for Transport of People	15,216	20.4
Motor Vehicles for Transport of Goods	7,005	9.4
Motor Vehicle Parts & Accessories	6,623	8.9
Gold (Unwrought/Semi-Manufactured/Powder)	2,022	2.7
Parts & Accessories for Office Machinery & Computers	1,566	2.1
Newsprint in Rolls or Sheets	1,442	1.9
Internal Combustion Piston Engines	1,419	1.9
Aircraft & Spacecraft Parts	1,048	1.4
Chemical Wood Pulp, Soda, or Sulphate	836	1.1
Printed Circuits	814	1.1
Electrical Apparatus for Line Telephony/Telegraphy	783	1.1
Seats (Other than Medical or Barbers')	771	1.0
Electronic Integrated Circuits & Microassemblies	718	1.0
Automatic Data Processing Machines	667	0.9
Powered Aircraft, Spacecraft & Launch Vehicles	637	0.9
Wood Sawn/Chipped Lengthwise Exceeding 6MM	630	0.8
Products of Nickel Metallurgy	614	0.8
Nickel (Unwrought)	585	0.8
Engine Parts	578	0.8
Petroleum Oils (Bituminous)	563	0.8
Rail Locomotives (Diesel-Electric)	472	0.6
Flat-Rolled Iron/Non-Alloy Steel of Width 600MM+	455	0.6
Unwrought Refined Copper & Copper Alloys	420	0.6
Furniture & Furniture Parts	386	0.5
Hydrocarbons	362	0.5
Top 25 Commodities	46,631	62.7
Total Exports	74,414	100.0

^a Commodities are 4-digit H.S. Codes

Source: Statistics Canada.

Value of New Construction in Ontario by Regions, 1984-1990

	1984	1985	1986	1987	1988	1989	1990
Total Construction							
current \$,000s	6,274,317	8,392,642	11,359,496	14,833,699	17,280,780	20,031,168	14,061,612
% change		33.8	35.4	30.6	16.5	15.9	-29.8
Regional shares (%)							
Eastern	19.1	15.5	11.4	12.2	11.7	12.4	12.9
Central	68.2	72.4	76.6	75.0	74.5	74.2	70.8
Southwestern	8.1	8.3	8.4	8.8	9.9	8.6	10.7
Northeastern	3.1	2.5	2.4	2.8	2.9	3.5	4.3
Northwestern	1.6	1.3	1.2	1.3	1.0	1.3	1.3
Residential							
current \$,000s	3,360,634	4,886,404	6,648,867	9,377,574	10,564,537	11,195,029	7,444,713
% change		45.4	36.1	41.0	12.7	6.0	-33.5
Regional shares (%)							
Eastern	20.3	16.9	12.2	12.2	11.7	10.8	14.5
Central	67.9	70.8	75.6	75.6	74.9	75.1	68.1
Southwestern	7.0	8.4	8.6	8.5	9.6	10.1	11.4
Northeastern	3.0	2.6	2.4	2.6	2.8	3.1	4.5
Northwestern	1.7	1.3	1.2	1.1	1.1	0.9	1.4
Non-Residential							
current \$,000s	2,913,683	3,506,238	4,710,629	5,456,125	6,716,243	8,836,139	6,616,899
% change		20.3	34.3	15.8	23.1	31.6	-25.1
Regional shares (%)							
Eastern	17.6	13.4	10.1	12.1	11.8	14.5	11.0
Central	68.4	74.7	78.0	73.9	73.9	73.0	73.9
Southwestern	9.4	8.1	8.2	9.3	10.5	6.8	9.8
Northeastern	3.1	2.4	2.6	3.1	3.0	4.0	4.1
Northwestern	1.4	1.4	1.1	1.6	0.9	1.7	1.2

Source: SHARC - Survey Of Municipalities Conducted by Statistics Canada, Ministry of Treasury and Economics.

Gross Domestic Product												
	Canada						Ontario					
	Nominal GDP			GDP Deflator			Nominal GDP			GDP Deflator		
	% Change			% Change			% Change			% Change		
	\$ Million	% Change	86=100	% Change	86=100	86\$ Million	\$ Million	% Change	86=100	% Change	86\$ Million	% Change
1975	171,540		49.0			350,113	68,164	10.7	49.7		137,227	
1976	197,924	15.4	53.3	8.7		371,688	78,188	14.7	53.4	7.5	146,481	6.7
1977	217,879	10.1	56.6	6.2		385,122	84,662	8.3	55.8	4.6	151,654	3.5
1978	241,604	10.9	60.0	6.0		402,737	92,414	9.2	58.7	5.1	157,443	3.8
1979	276,096	14.3	66.0	10.0		418,328	104,363	12.9	64.7	10.2	161,308	2.5
1980	309,891	12.2	73.0	10.6		424,537	114,994	10.2	71.5	10.6	160,777	-0.3
1981	355,994	14.9	80.9	10.8		440,127	131,831	14.6	78.9	10.3	167,162	4.0
1982	374,442	5.2	87.9	8.7		425,970	137,310	4.2	85.5	8.4	160,702	-3.9
1983	405,717	8.4	92.3	5.0		439,448	151,945	10.7	90.6	6.0	167,691	4.3
1984	444,735	9.6	95.2	3.1		467,167	171,499	12.9	93.8	3.6	182,755	9.0
1985	477,988	7.5	97.7	2.6		489,437	183,561	7.0	96.2	2.5	190,881	4.4
1986	505,666	5.8	100.0	2.4		505,666	202,710	10.4	100.0	4.0	202,710	6.2
1987	551,597	9.1	104.7	4.7		526,730	224,257	10.6	105.7	5.7	212,098	4.6
1988	605,147	9.7	109.7	4.0		551,423	252,887	12.8	111.8	5.7	226,213	6.7
1989	649,102	7.3	114.9	4.7		564,990	272,298	7.7	118.0	5.5	230,835	2.0
1990	671,577	3.5	118.3	3.0		567,541	277,740	2.0	121.3	2.8	228,947	-0.8
1991	688,842	2.6	122.4	3.4		562,773	281,212	1.3	125.2	3.2	224,543	-1.9
1992	734,740	6.7	126.1	3.0		582,585	300,435	6.8	128.9	2.9	233,132	3.8
1993	782,931	6.6	129.9	3.0		602,715	320,898	6.8	132.7	3.0	241,758	3.7
1994	833,231	6.4	133.7	2.9		623,359	341,794	6.5	136.6	2.9	250,243	3.5
1995	884,622	6.2	137.4	2.8		643,781	363,381	6.3	140.4	2.8	258,802	3.4

Labour Market		Canada						Ontario					
		Labour Force			Unemployment			Labour Force			Unemployment		
		000's	%	000's	%	000's	%	000's	%	000's	%	000's	%
1975	9,974			9,284		690	6.9	3,818		3,576		242	6.3
1976	10,203	2.3		9,477	2.1	726	7.1	3,882	1.7	3,643	1.9	239	6.2
1977	10,500	2.9		9,651	1.8	849	8.1	3,986	2.7	3,708	1.8	278	7.0
1978	10,895	3.8		9,987	3.5	908	8.3	4,133	3.7	3,835	3.4	298	7.2
1979	11,231	3.1		10,395	4.1	836	7.4	4,271	3.3	3,993	4.1	278	6.5
1980	11,573	3.0		10,708	3.0	865	7.5	4,350	1.8	4,053	1.5	297	6.8
1981	11,899	2.8		11,001	2.7	898	7.5	4,463	2.6	4,171	2.9	292	6.6
1982	11,926	0.2		10,618	-3.5	1,308	11.0	4,502	0.9	4,063	-2.6	439	9.7
1983	12,109	1.5		10,675	0.5	1,434	11.8	4,561	1.3	4,089	0.6	472	10.3
1984	12,316	1.7		10,932	2.4	1,384	11.2	4,655	2.1	4,235	3.6	420	9.0
1985	12,532	1.8		11,221	2.6	1,311	10.5	4,758	2.2	4,377	3.4	381	8.0
1986	12,746	1.7		11,531	2.8	1,215	9.5	4,862	2.2	4,524	3.4	338	7.0
1987	13,011	2.1		11,861	2.9	1,150	8.8	4,992	2.7	4,689	3.6	304	6.1
1988	13,275	2.0		12,245	3.2	1,031	7.8	5,118	2.5	4,862	3.7	256	5.0
1989	13,503	1.7		12,486	2.0	1,017	7.5	5,214	1.9	4,949	1.8	265	5.1
1990	13,681	1.3		12,572	0.7	1,109	8.1	5,268	1.0	4,937	-0.2	331	6.3
1991	13,770	0.7		12,352	-1.8	1,418	10.3	5,282	0.3	4,776	-3.3	506	9.6
1992	13,976	1.5		12,561	1.7	1,415	10.1	5,376	1.8	4,877	2.1	499	9.3
1993	14,230	1.8		12,840	2.2	1,390	9.8	5,490	2.1	5,004	2.6	486	8.9
1994	14,515	2.0		13,150	2.4	1,365	9.4	5,610	2.2	5,135	2.6	475	8.5
1995	14,805	2.0		13,470	2.4	1,335	9.0	5,730	2.1	5,275	2.7	455	7.9

Source: Statistics Canada. Forecasts from Ontario Ministry of Treasury and Economics.

Personal Income

	Canada		Ontario	
	\$ Million	% Change	\$ Million	% Change
1975	138,578		55,167	
1976	158,127	14.1	62,556	13.4
1977	174,838	10.6	68,598	9.7
1978	195,163	11.6	75,832	10.5
1979	219,467	12.5	84,607	11.6
1980	248,890	13.4	94,411	11.6
1981	293,215	17.8	110,033	16.5
1982	324,837	10.8	122,443	11.3
1983	343,052	5.6	131,947	7.8
1984	372,239	8.5	146,193	10.8
1985	400,199	7.5	156,293	6.9
1986	427,262	6.8	169,608	8.5
1987	461,191	7.9	186,967	10.2
1988	506,589	9.8	208,460	11.5
1989	548,989	8.4	227,910	9.3
1990	590,168	7.5	245,049	7.5
1991	N/A	N/A	254,711	3.9
1992	N/A	N/A	270,396	6.2
1993	N/A	N/A	287,714	6.4
1994	N/A	N/A	305,016	6.0
1995	N/A	N/A	322,790	5.8

Sources: Statistics Canada.

Ontario Economic Accounts, October 1991. Forecasts from Ontario Ministry of Treasury and Economics.

Retail Sales*

		Canada		Ontario	
		\$ Million	% Change	\$ Million	% Change
Old Survey	1975	51,361.5		19,151.0	
	1976	57,127.6	11.2	21,057.0	10.0
	1977	61,622.7	7.9	22,718.9	7.9
	1978	68,778.6	11.6	25,186.3	10.9
	1979	77,025.1	12.0	27,515.3	9.2
	1980	84,026.6	9.1	29,666.2	7.8
New Survey	1981	102,961.2	N/A	36,375.8	N/A
	1982	106,614.5	3.5	38,345.4	5.4
	1983	116,009.9	8.8	42,567.4	11.0
	1984	126,751.3	9.3	46,888.9	10.2
	1985	141,346.3	11.5	52,870.7	12.8
	1986	152,880.4	8.2	57,615.8	9.0
	1987	167,939.0	9.8	63,670.5	10.5
	1988	180,545.3	7.5	68,578.5	7.7
	1989	188,160.1	4.2	71,327.0	4.0
	1990	191,520.1	1.8	71,251.0	-0.1
	1991	N/A	N/A	66,275.0	-7.0
	1992	N/A	N/A	69,758.0	5.3
	1993	N/A	N/A	73,944.0	6.0
	1994	N/A	N/A	78,011.0	5.5
	1995	N/A	N/A	82,145.0	5.3

* Including Federal Sales Tax in 1975-1990, but excluding GST from 1991.

Source: Statistics Canada. Forecasts from Ontario Ministry of Treasury and Economics.

Housing Starts				
	Canada		Ontario	
	Units	% Change	Units	% Change
1975	231,456		79,968	
1976	273,203	18.0	84,682	5.9
1977	245,724	-10.1	79,130	-6.6
1978	227,667	-7.3	71,710	-9.4
1979	197,049	-13.4	56,887	-20.7
1980	158,601	-19.5	40,127	-29.5
1981	177,973	12.2	50,161	25.0
1982	125,860	-29.3	38,508	-23.2
1983	162,645	29.2	54,939	42.7
1984	134,900	-17.1	48,171	-12.3
1985	165,826	22.9	64,871	34.7
1986	199,785	20.5	81,470	25.6
1987	245,986	23.1	105,213	29.1
1988	222,562	-9.5	99,924	-5.0
1989	215,382	-3.2	93,337	-6.6
1990	181,630	-15.7	62,649	-32.9
1991	N/A	N/A	54,000	-13.8
1992	N/A	N/A	73,000	35.2
1993	N/A	N/A	76,500	4.8
1994	N/A	N/A	79,500	3.9
1995	N/A	N/A	82,500	3.8

Source: Canada Mortgage & Housing Corporation. Forecasts from Ontario Ministry of Treasury and Economics.

Population				
	Canada		Ontario	
	000's	% Change	000's	% Change
1975	22,697.1		8,172.2	
1976	22,992.6	1.3	8,264.5	1.1
1977	23,272.8	1.2	8,353.1	1.1
1978	23,517.0	1.0	8,439.6	1.0
1979	23,747.3	1.0	8,501.3	0.7
1980	24,042.5	1.2	8,569.7	0.8
1981	24,341.7	1.2	8,624.7	0.6
1982	24,583.1	1.0	8,702.5	0.9
1983	24,787.2	0.8	8,798.0	1.1
1984	24,978.2	0.8	8,901.7	1.2
1985	25,165.4	0.7	9,006.4	1.2
1986	25,353.0	0.7	9,113.0	1.2
1987	25,617.3	1.0	9,265.0	1.7
1988	25,909.2	1.1	9,431.1	1.8
1989	26,240.3	1.3	9,589.6	1.7
1990	26,602.6	1.4	9,743.3	1.6
1991	26,991.6	1.5	9,906.4	1.7
1992	27,254.8	1.0	10,049.5	1.4
1993	27,609.5	1.3	10,217.7	1.7
1994	26,956.6	1.3	10,389.4	1.7
1995	28,295.9	1.2	10,564.6	1.7

Source: Statistics Canada, June 1 data. Projections for Ontario from Ontario Ministry of Treasury and Economics.



ONTARIO ECONOMIC OUTLOOK

• 1992-1996 •

ONTARIO ECONOMIC OUTLOOK



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October 1992

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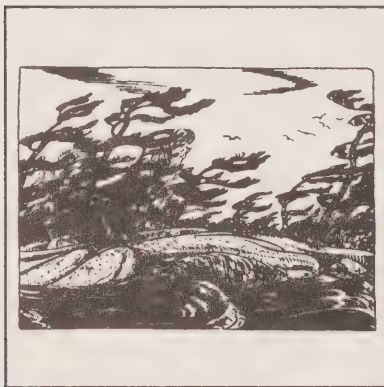
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The Cover: A. Y. Jackson, detail of Pine Island, from "Canadian Drawings - a portfolio of prints by members of the Group of Seven", 1925. Collection: Art Gallery of Ontario.

Table of Contents

Chapter 1: Introduction	1
Macroeconomic Environment	1
Ontario's Productivity and Jobs Challenge	4
 Chapter 2: The Jobs and Training Outlook	9
Introduction	9
A Strong Foundation	11
Employment Growth	13
Unemployment	14
New Directions in Labour Market Policy	17
 Chapter 3: The Investment Outlook	20
Introduction	20
New Approaches to Investment, Productivity and Jobs	21
Machinery and Equipment Investment	22
Service Sector and New Business Investment	24
Investment in Research and Development	25
Government Investment in Infrastructure	26
Financing Investment	27
 Chapter 4: Economic Outlook	29
Introduction	30
Ontario's Economic Performance: 1981 - 1991	30
Economic Outlook	36
Key Factors Affecting the Economy	37
Canadian Outlook	39
The Ontario Outlook in Detail	40
Summary	51
 Data Appendix	53
List of Tables	54

Chapter 1: Introduction

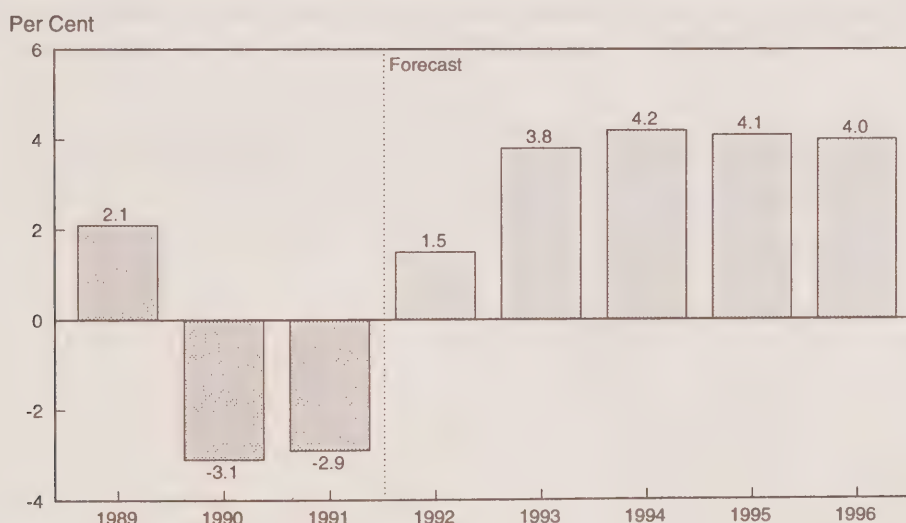
Macroeconomic Environment

The Ontario economy has begun to emerge from its most severe recession since the 1930s. Output has expanded for five consecutive quarters, but at a painfully slow pace. The conditions that normally precede substantial recoveries are in place. Interest rates have fallen, housing has become much more affordable, inventories are low, and corporations and individuals are paying down debt. The export and housing sectors are expanding and consumer spending growth has shown strength in recent months.

While output has been growing slowly for over a year, jobs continue to be lost. The cyclical recession was accompanied by widespread permanent plant closures and relocations, as industries restructured to meet the challenges of accelerating technological change and increasing global competition. This restructuring is continuing. The focus of the Ontario Government's economic policy is to work with business and labour to help ensure that, as the recovery gathers momentum, more well-paying jobs will be created in Ontario and structural change will be fair and equitable.

The Ontario economy is forecast to grow at a moderate average annual 4.0 per cent pace over the 1993-1996 period, stronger than the consensus forecast for any of the G-7 countries but below the pace of recent Ontario recoveries.

Growth in Real Gross Domestic Product, Ontario, 1989 - 1996

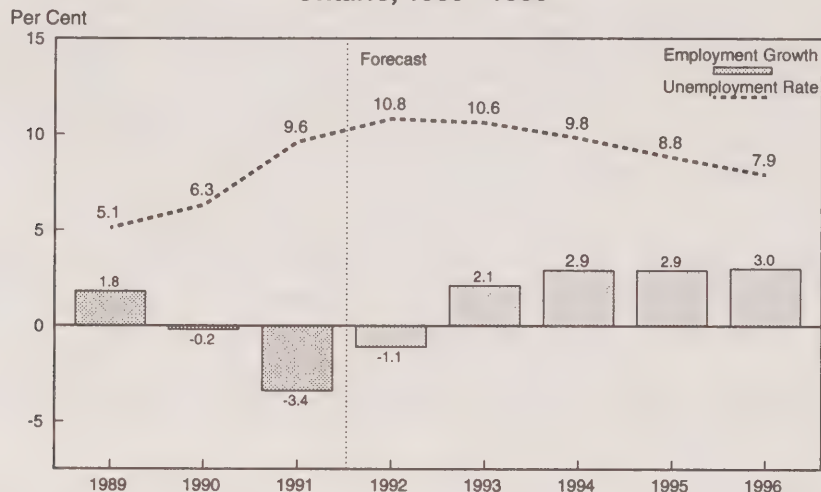


Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

Introduction

Over the next four years, the unemployment rate is expected to come down slowly. Both increases in the working-age population and the return to the labour force of workers discouraged from seeking work by the high level of unemployment will slow the decline in the unemployment rate.

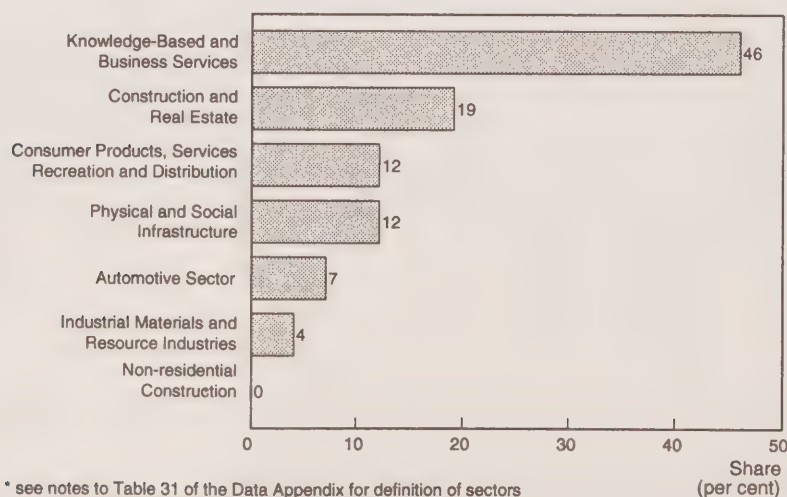
**Employment Growth and Unemployment Rates,
Ontario, 1989 - 1996**



Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

Most of the employment growth in Ontario will be in business services and knowledge-based industries, reflecting a continuing shift in the structure of the Ontario economy. This is discussed in more depth in Chapter 2, Jobs and Training Outlook.

Sectoral* Distribution of Projected Job Growth, Ontario, 1992-96

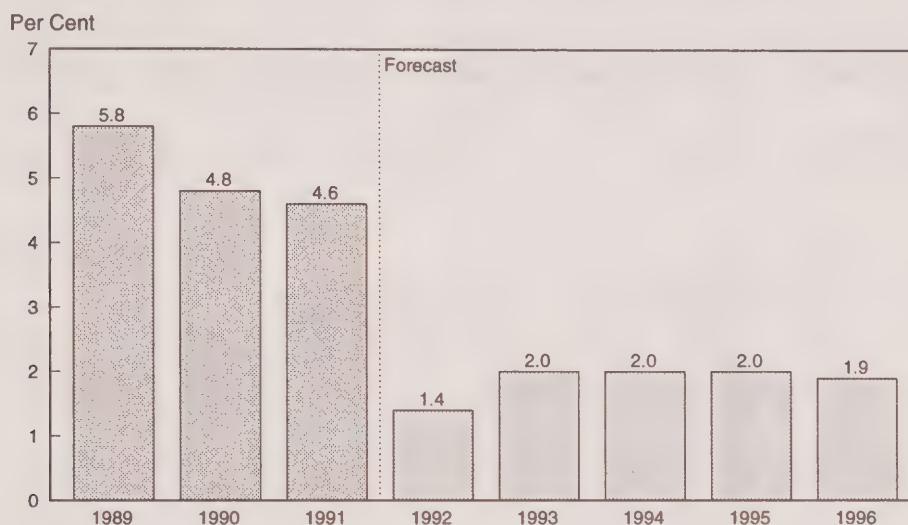


* see notes to Table 31 of the Data Appendix for definition of sectors
Source: Ontario Ministry of Treasury and Economics

1992 Ontario Economic Outlook

The severity of the recession has driven Consumer Price Index inflation in Ontario to very low levels. Over the medium term, continuing high unemployment and high real interest rates will hold inflation in Ontario to an average of 2.0 per cent per year.

Consumer Price Index Inflation, Ontario, 1989 - 1996



Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

Lower inflation, combined with a lower Canadian dollar, better productivity growth and the cuts made in corporate tax rates in the last Ontario Budget, will improve the competitiveness of Ontario firms, encouraging investment and creating new jobs in Ontario.

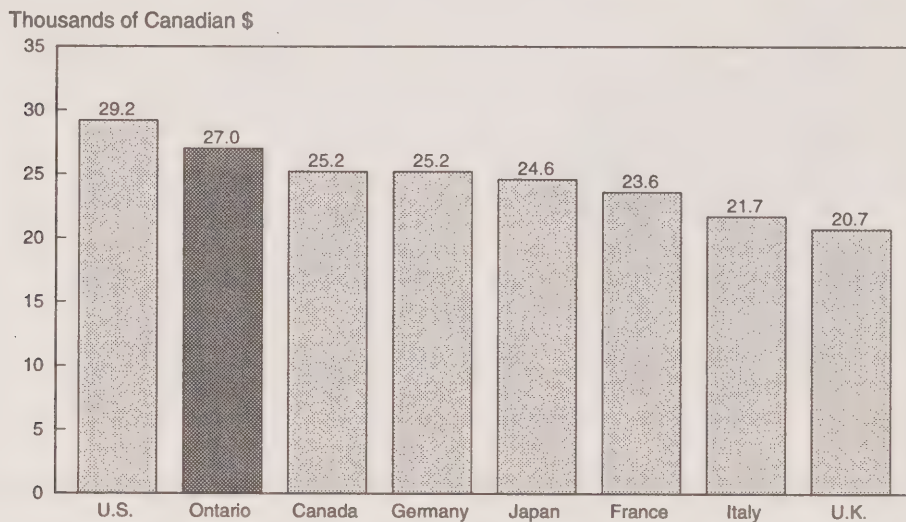
A number of policy variables have a profound impact on Ontario's economic outlook. For example, monetary policy, which sets interest rates and exchange rates, is critical to the health of the economy, as are economic conditions outside of the province. While provincial governments have no control over these, the Ontario Government does have major influence over key policy fields, such as training, innovation and financing.

Introduction

Ontario's Productivity and Jobs Challenge

The Ontario economy is among the most productive in the world. Per capita output is higher than Canada's as a whole, and is exceeded only by that of the United States. High real incomes, combined with good social programs and a clean environment, mean that Ontarians enjoy one of the highest standards of living anywhere.

Gross Domestic Product per Capita*, Ontario and the G-7, 1991



* Based on purchasing power parity (PPP) exchange rates.

Sources: OECD and Ontario Ministry of Treasury and Economics

Ontario has a wealth of assets. We have a skilled and motivated workforce, energetic firms and entrepreneurs, a strategic location in North America, secure public services, access to natural resources, and a modern stock of productive capital -- the result of past investments by both the private and public sectors. These foundations will continue to serve us well.

But the world economy is changing rapidly, and Ontario must change too if it hopes to secure higher living standards for the future. The accelerating pace of innovation and growing global competition make measures to promote innovation and training increasingly important. Achieving higher productivity growth throughout the economy is essential if Ontario is to meet its goal of more and higher paying jobs.

Over the past two decades, productivity growth has been lower in Ontario than in any of the leading industrialized countries, apart from the United States. In the 1980s, Ontario's productivity growth was significantly below the pace achieved during the 1950s and 1960s.

1992 Ontario Economic Outlook

International Comparison of Growth in Total Factor Productivity¹ (Percentage Changes at Annual Rate)

	1960-73	1973-79	1979-90
United States	1.6	-0.4	0.2
Japan	5.8	1.4	2.0
Germany	2.6	1.8	0.8
France	4.0	1.7	1.8
Italy	4.4	2.1	1.4
United Kingdom	2.3	0.6	1.6
Canada	2.0	0.8	0.0
OECD Average	2.8	0.5	0.8
Ontario	1.6	0.2	0.2

Source: OECD Economic Outlook, June 1992.

Ontario growth calculated by Ministry of Treasury and Economics using data from Statistics Canada.

1. "Total factor productivity" is superior to "labour productivity" as a measure of economic efficiency. It is obtained by subtracting from GDP growth the increase in the quantity of labour and capital inputs, weighted by their estimated contributions to output. The OECD TFP statistics exclude the government sector. The Ontario TFP estimate for the post-1979 period follows this definition; data excluding government are not available for the earlier periods.

This productivity growth slowdown has been costly. The province's capacity to generate new wealth has not kept pace with expectations of an ever-increasing standard of living. In the 1980s, Ontario wages, adjusted for inflation, showed almost no growth, despite the strong economic expansion between 1983 and 1989. Family incomes rose, but mainly because more women entered the labour force, and many employees worked longer hours. Young people, minimum-wage earners and the poor fell behind in absolute terms, experiencing declines in real incomes from the levels enjoyed in the 1970s. The economy's ability to fund new public services has been eroded, and tax rates have had to increase to cover existing programs.

Improving Productivity Growth in Ontario

Changes in the rate of productivity growth are not easily or immediately achieved. However, there are some very promising signs for Ontario. The emergence of new information technologies in the 1980s, and continuing through the early 1990s, offers tremendous potential for productivity gains in advanced industrial economies. Innovations are leading to much more sophisticated machinery and equipment, often providing greater performance for lower costs. The effective use of modern technologies improves the quality and quantity of output from both capital investment and labour. It also creates opportunities for more flexible production. These gains are spread across the economy, with information technologies particularly suited to increasing productivity in business services, government activities and manufacturing sectors.

Productivity growth does not have to come at the cost of jobs. Productivity growth

Introduction

provides a firm basis for job creation and economic expansion, by generating higher incomes for workers and profits for firms. Canada's post-war experience, and the experience of high productivity growth countries like Japan, demonstrate that positive aggregate demand provides a strong stimulus for further investment and jobs.

Higher productivity growth also improves the competitive position of Ontario's industries. This allows firms to address cost competitiveness through technology, growth and increasing market share, rather than by means of retrenchment and layoffs. Productivity growth is the key to greater employment and rising wages.

Improving productivity requires working together, within firms and across the economy. Governments can adopt policies to increase the quantity and quality of both labour and capital, and to encourage improvements in the way these are brought together in the workplace.

The Industrial Policy Framework

Ontario's Industrial Policy Framework was recently announced by the Minister of Industry, Trade and Technology.* Its goal is to raise value added throughout the economy by the combined efforts of workers, businesses, governments, and communities. The framework focuses on six competitive fundamentals:

- continuous innovation
- raising skill levels
- increasing technological capability
- establishing companies' home base activities in Ontario
- developing linkages and networks
- building international capabilities.

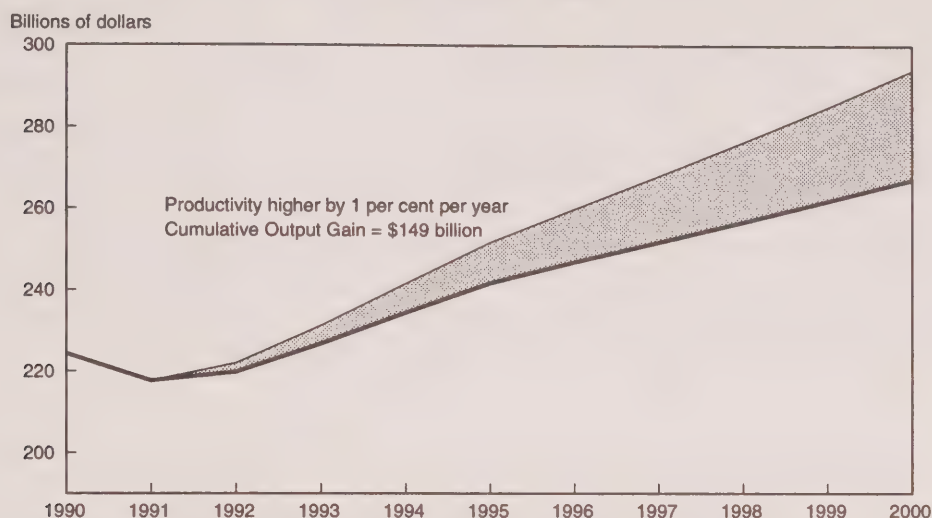
Strengthening Ontario's competitive fundamentals will develop the capabilities companies need to compete in the global economy, encouraging investment, profitability and job creation.

All economic partners have a role to play. For its part, the Government of Ontario is facilitating the movement to a higher value-added economy by changing how it invests, how it works with companies and how it manages economic change.

* *An Industrial Policy Framework for Ontario*, Ministry of Industry, Trade and Technology, 1992.

The emerging recovery offers a unique opportunity to make investments, work together, and improve Ontario's economic outlook. The potential payback is enormous. An additional productivity gain of just one per cent annually between 1992 and the year 2000 would generate an increase of \$149 billion in real output, over \$14,000 per capita. Based on nominal income shares, labour income would rise by \$105 billion, while business profits would increase by over \$44 billion.

Potential Impact of Productivity Growth on Real Output Ontario, 1990 - 2000



Source: Ontario Ministry of Treasury and Economics

Policies Support Innovation and Adjustment

In Ontario, new social assistance reforms and policies that promote social equity are helping to augment the supply of labour. **jobsOntario***TrainingFund* and other initiatives are helping to refocus assistance from passive income support towards training and employment, building an even higher quality workforce than we have today. Tax incentives, financing support and new institutional arrangements, such as the proposed Ontario Investment Fund, will augment the financial capital available to innovative industries.

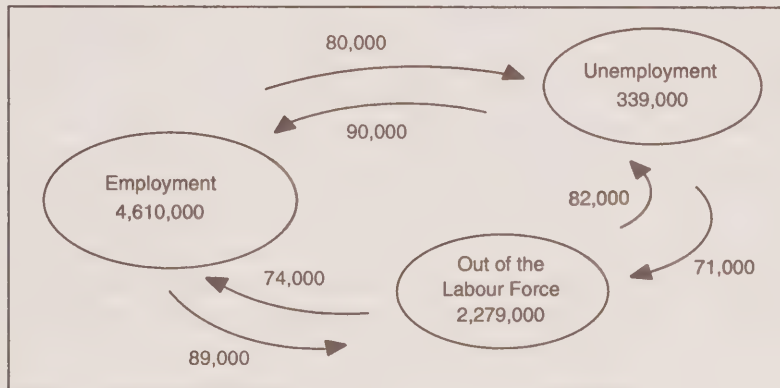
This document examines the economic outlook for Ontario and sets out the policies and programs the Government of Ontario has put in place to deal with the changing economy. Chapter 2 examines challenges and responses in the labour market. Chapter 3 discusses investment. Chapter 4 presents the medium-term macroeconomic and sectoral outlook. The key message is that all economic partners -- labour, business, and government, including the federal government -- will have to work hard, and cooperatively, to improve productivity growth, jobs and secure high levels of employment.

Chapter 2: The Jobs and Training Outlook

Introduction

Employment growth in Ontario will soon resume, and is expected to be reasonably strong over the medium term. However, unemployment is forecast to remain high for several more years as the workforce expands rapidly. The government understands the urgent need for more good jobs, and is acting now to implement active labour market policies to enhance productivity and equity, and to equip all individuals with the tools they need to participate fully in the labour force. In 1991, an average 90,000 people a month moved from unemployment to a job, part of the 480,000 people who change their labour force status in a typical month in Ontario.

Average Monthly Labour Market Flows, Ontario, 1991



Note: Figures within circles represent people who did not change their labour force status
Source: Statistics Canada

Historically, labour market policies and programs have tended to focus on passive measures that provided beneficial income and social relief to unemployed people, but often failed to help them get permanent, secure jobs. Strengthening the flexibility and responsiveness of labour supply is an essential component of Ontario's active labour market policies.

Education and training are important. Pre-employment programs, literacy and language training, and job counselling services are particularly helpful to people experiencing difficulty in finding and keeping jobs. Continued promotion of lifelong learning by all labour market partners will strengthen linkages between schools and workplaces, and will help workers adapt to ongoing changes in the labour market.

Jobs and Training Outlook

jobsOntarioTrainingFund

A special priority for the government has been support for those at risk of long-term unemployment, whose prolonged absence from the workforce means eroded skills and reduced employability. The \$1.1 billion **jobsOntarioTrainingFund** is a three-year commitment to create training and employment opportunities for an estimated 100,000 workers who are either social assistance recipients or have exhausted their Unemployment Insurance benefits. They will be able to obtain training and employment that will contribute to a more productive economy. Private sector employers will be encouraged to hire and train these workers for new jobs created in their workplaces. The program also includes the provision of an additional 20,000 subsidized child-care spaces in support to those being trained.

A further 80,000 currently employed workers are expected to benefit, as employers may use some of the funds from this program to upgrade existing workers' skills. For example, Linamar Machine Ltd. of Guelph is one of the first major employers to participate in this program, and will be creating 271 jobs for participants over the next two years.

Particular attention has also been given to supporting flexible employment related services through investments in child-care, education and training systems, public transportation, and social housing. These investments help remove barriers to full participation in the labour market of those traditionally under-represented in jobs and training. Pay equity, employment equity, minimum wage increases, labour relations reform, and social assistance reform further improve labour flexibility.

Labour market policies operate in the wider context of economic, industrial, social, equity and education policy. In this period of continuing structural change, there is both the need and the opportunity to co-ordinate and integrate labour market programs, especially income maintenance, training and employment promotion. Persistently high unemployment rates are a reminder that much remains to be done to achieve the productivity gains required to support economic renewal and accelerated job creation.

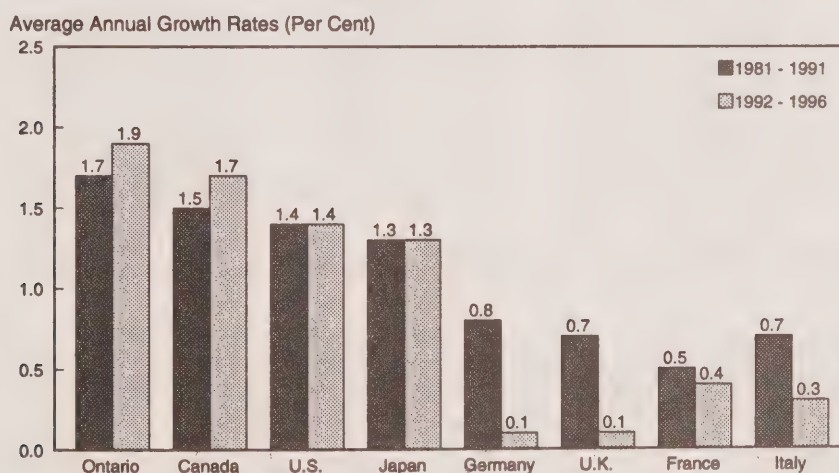
Key Messages:

- Ontario's labour force will grow by an average annual rate of 1.9 per cent between 1992 and 1996, faster than that of other major economies. Improving the training and flexibility of Ontario's labour supply is essential to increasing productivity, investment and employment in the province.
- After three consecutive years of job loss, job creation is expected to resume, averaging 135,000 annually over the next four years. Ontario's active labour market policies encourage labour market partners to work together and invest in workers for a strong and innovative economy with more and better jobs.
- Ontario's unemployment rate will come down slowly. A vital challenge is to help unemployed persons participate fully in the labour force.
- Increased co-operation among labour market partners is important to the continued development of the labour force. Establishing the Ontario Training and Adjustment Board and implementing other active labour market programs and services will help all partners recognize current and potential workers as a resource.

A Strong Foundation

Ontario's labour force is one of the province's key competitive strengths. Our labour force growth of 1.7 per cent annually over the 1981 to 1991 period exceeded that of other major industrialized jurisdictions. With continued high levels of immigration to Ontario expected through the mid-1990s, the labour force is projected to continue to grow by a strong 1.9 per cent per year to 1996.

Labour Force Growth, Ontario and the G-7, 1981 - 1996



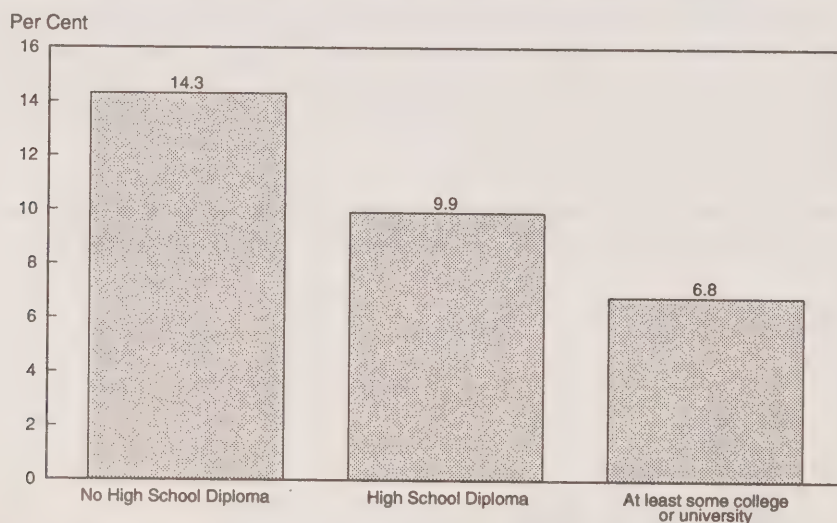
Sources: U.S. Bureau of Labor Statistics, Statistics Canada and DRI

Jobs and Training Outlook

The 25 to 44 age group is the dominant segment of the labour force, accounting for over 50 per cent of Ontario workers. This group is characterized by a high degree of labour force attachment and by high productivity. Over three-quarters of those currently in the labour force are expected to continue to be active in the labour market at the end of the decade, helping maintain Ontario's skills and productivity base.

Ontario's female labour force is growing rapidly. By 1996, women's share of the Ontario labour force will be 47 per cent, up from 45.6 per cent at present. The female participation rate is forecast to rise to 64.6 per cent in 1996, up from 60.1 per cent at present. The increased participation of women is helping to raise the size, skills and flexibility of the Ontario labour force. Roughly 40 per cent of Ontario men and women age 20 and over have at least one year of post-secondary education. This compares favourably with 38 per cent of adults in the United States, and 20 per cent in Japan. Moreover, the level of education of the Ontario labour force continues to increase, with full-time enrolment in Ontario colleges and universities increasing 3.4 per cent in 1991, compared to 1990. Higher educational attainment improves productivity and attracts investment. People with higher levels of education experience lower levels of unemployment, and consequently greater employment and income security.

Unemployment Rate by Educational Attainment, Ontario, 1991



Source: Statistics Canada

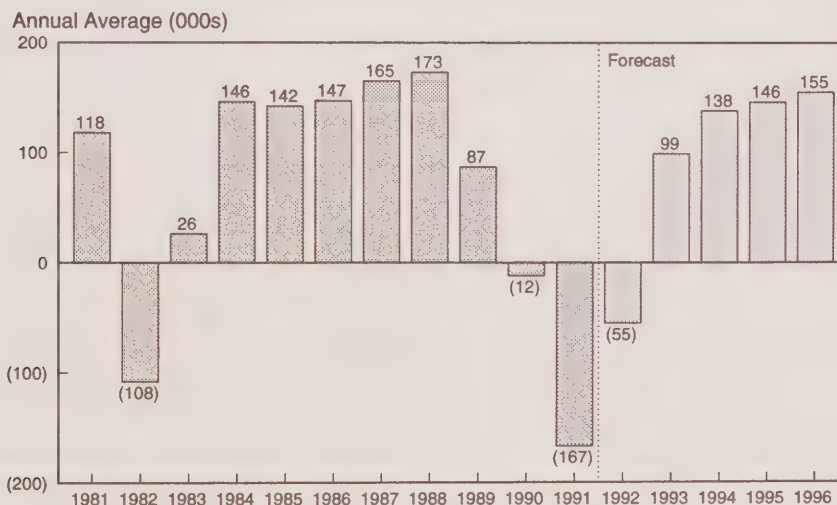
International comparisons of the quality of the labour force and quality of life, such as those by the World Economic Forum and the United Nations, rank Canada high relative to other major economies. In the World Economic Forum's 1992 report, Canada ranked second among major economies in secondary-school and higher educational enrolment, and third for its labour force participation, up from fourth position in 1991. The OECD has also recognized Canada's strong performance in education and labour force development. These studies reflect positively on Ontario, which has roughly 40 per cent of the nation's population and labour force, and help promote our attractiveness as a place to locate and invest. One of

the major reasons given by Ford of Canada for its recent \$1 billion investment in new production facilities in Ontario was the quality of the province's labour force. Nevertheless, more effective training is a necessary condition for higher productivity growth in the rapidly changing economy.

Employment Growth

Ontario's economic recovery is expected to be moderate, with an average of 135,000 new jobs expected to be created annually over the next four years. Total employment however, is not likely to return to pre-recession levels until 1994 or later. While overall job creation may not be as strong as experienced following the last recession, steady gains in employment are expected to occur in both standard full-time jobs and in non-standard employment such as part-time, temporary and self-employment. The growth in non-standard employment reflects not only employers' preference for flexible work arrangements, but also in some cases the choice of individual workers to pursue different occupational and employment experiences. Working at home, staggered work hours, and job sharing are some of the many options available to today's workers. However, non-standard employment can result in lower incomes and reduced benefits for some employees.

Job Creation, Ontario, 1981 - 1996



Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

Generally, however, the jobs created over the medium term are not likely to be the same as the ones lost in the recession. Many establishments were closed permanently and others have dramatically restructured their operations, changing both the quantity and type of labour they require. Many of the workers who have lost their jobs require the active labour market programs and services Ontario is offering to help them secure new and stable employment. The strongest employment growth is anticipated in service, managerial and professional occupations. In these fields and others, higher levels of education and training will be required, in order to increase productivity and attract investment.

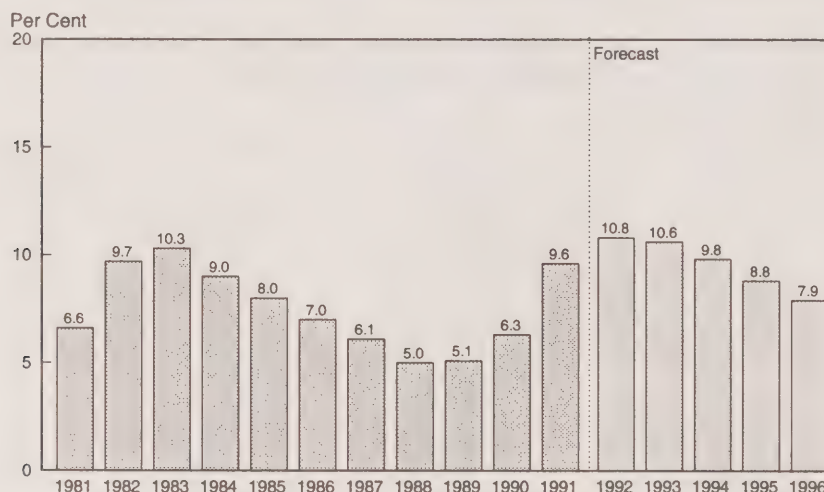
Jobs and Training Outlook

During the economic expansion from 1983 to 1989, knowledge-intensive industries, such as computer software, management consulting, and other business services, accounted for 20 per cent of Ontario's job gains. Over the next two years, this sector is forecast to account for about 40 per cent of job creation.

Unemployment

At 10.8 per cent, the Ontario unemployment rate this year will exceed the peak reached during the recession of the early 1980s as a result of cyclical and structural factors. The rate of unemployment could have been even higher, as persistent economic weakness has led many individuals to give up their job search, withdraw from the labour force, and not be counted in the official measures. While job creation will reduce unemployment in Ontario, the reported unemployment rate will decline slowly over the next few years as the stronger economy once again draws these discouraged workers back into the labour force.

Unemployment Rate, Ontario, 1981 - 1996



Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

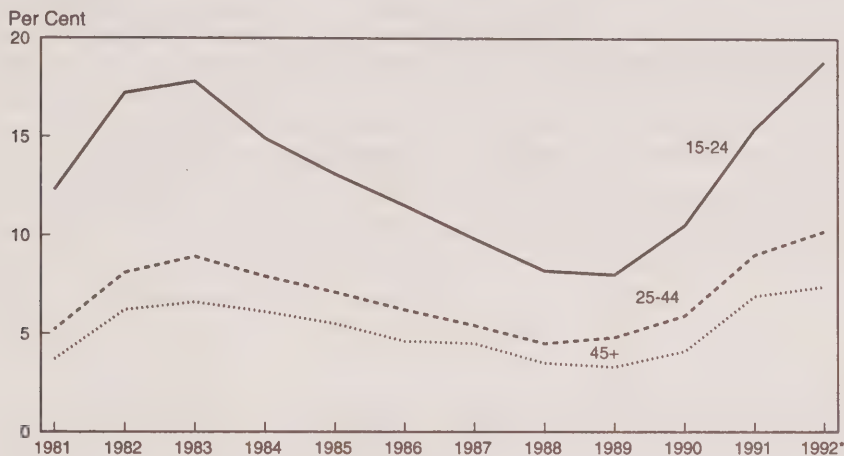
In the 1982 recession, unemployment was primarily a short-term cyclical phenomenon, and was concentrated mainly among young workers. Increasingly, the unemployed are adult workers who have been displaced by permanent plant closures and major layoffs. Adjustment costs for these workers are high in terms of lost skills and earnings, as well as the human costs of extended spells of unemployment. The costs are also high for governments in terms of income and adjustment supports, and lost productive resources for the economy.

One of Ontario's top priorities is to reduce the high level of unemployment. A large component of the province's unemployment is structural in nature, involving a mismatch between the skills available and those in demand. Structural unemployment increased through the 1980s as global competitive pressures, technological changes and inappropriate federal macroeconomic policies affected the diversity and stability of the Ontario economy.

1992 Ontario Economic Outlook

The medium term will see a gradual reduction in unemployment in Ontario, but not all age groups will benefit equally. For example, youth currently experience an unemployment rate of 18.8 per cent, and it is expected to remain high, despite a declining youth labour force.

Unemployment Rate by Age, Ontario, 1981 - 1992



* First eight months.

Source: Statistics Canada

Many unemployed youth are, however, returning to school to complete or upgrade their education. Over the last ten years, the number of students re-entering day school after dropping out has more than doubled. There has also been a dramatic increase in the number of people 25 years or older enrolled full time in college and university programs. In 1990, roughly 20 per cent of university full-time enrolment consisted of such non-traditional students.

Progress in reducing youth unemployment will be slow, since many young people who left the labour force or stayed on longer in the education system will re-enter the labour market. Continued support for private sector employment through programs such as FUTURES, **jobsOntarioYouth**, and apprenticeships are necessary to help young people make a successful transition into the labour force, especially when roughly two-thirds enter the labour force directly from secondary school. Many of the Province's programs provide young people with a mix of in-school and on-the-job training that promotes increased educational attainment along with improved job security and flexibility.

Jobs For Youth

jobsOntarioYouth is a special \$20 million initiative introduced in Summer 1992 to help employment-disadvantaged young people obtain employment experience and on-the-job training. Private and public-sector employers provided summer jobs to more than 8,800 young people in Ontario, creating 300 more jobs than originally expected.

Jobs and Training Outlook

Although the 7.4 per cent unemployment rate of older workers is lower than for the workforce as a whole, older workers are most vulnerable to long-term unemployment, defined as unemployment lasting more than six months. The number of long-term unemployed older workers has more than tripled in the last two years. Almost 40 per cent of unemployment among those 45 years of age and over is long-term, compared with 21 per cent in 1990. Older workers are at a disadvantage in finding re-employment because of generally lower education, and skills that are often tied to declining industries. Sixty per cent of unemployed older workers have experienced permanent job loss, and 40 per cent have not finished high school.

Long-Term Unemployment By Age, Ontario, 1981 - 1992



The share of total unemployment accounted for by long-term unemployed workers has more than doubled to 29 per cent in the last two years, and is more serious now than in the previous recession. While Ontario may be more fortunate than some European countries, such as France and Italy, where more than half of the unemployed have been without jobs for six months or more, long-term unemployment in Ontario is expected to increase over the medium term because of accelerating technological change, increased global competition, and adjustment pressures from the North American Free Trade Agreement (NAFTA).

Helping the Long-term Unemployed

The Ontario Government has taken a number of steps to help the long-term unemployed, particularly older workers, adjust to these changes. For example, the Province's TRANSITIONS program provides a \$5,000 training voucher to help laid-off older workers obtain training for re-employment. The Ontario Help Centres, located in 18 major communities across the province will provide counselling, job placement and referral services to an estimated 20,000 adult workers this year.

New Directions in Labour Market Policy

Investing in human resources is key to improving productivity and attracting new investment and jobs. The government has increased its allocation for training and labour adjustment programs to \$930 million this year, an increase of 24 per cent. It is providing over \$1 billion in new funding over three years to introduce active labour market programs such as the **jobsOntarioTrainingFund**, and will continue to reform and expand existing programs like Ontario's apprenticeship system.

While government is providing leadership and significant funding, successful labour market strategy requires the direct participation of labour, business, government, community and other labour market partners. These partnerships exist in many parts of the industrialized world, including Western European countries such as the Netherlands, Sweden and Germany, which have high levels of labour-management cooperation and are admired for their highly effective labour market programs. By establishing the Ontario Training and Adjustment Board and other instruments, Ontario is building its own model of partnership, based on experience here and in other countries.

Ontario Training and Adjustment Board

The cornerstone of Ontario's active labour market focus is the establishment of the Ontario Training and Adjustment Board (OTAB) which will bring together representatives from business, labour, organizations representing women, natives, persons with disabilities, racial minorities and francophones, educators/trainers and aboriginal peoples, should they choose to participate, to help design and deliver publicly-funded training and adjustment programs in the province. Over time, OTAB will work with the federal government to establish a network of local boards to help ensure that programs and services are effective in meeting diverse labour market needs across the province. OTAB will focus on four priority areas:

- Workplace and Sectoral Training
- Apprenticeship Reform
- Labour Force Adjustment
- Labour Force Entry/Re-entry

OTAB will have responsibility for reviewing and reforming publicly-funded training and adjustment programs under its authority to make them effective and responsive to the needs of all employers and workers in the province.

The government is working with industry and labour to introduce improved relationships in the workplace through reforms to the *Ontario Labour Relations Act*. The amendments are intended to foster more co-operation between workers and managers, and greater participation by employees in workplace decisions. An involved workforce will support innovation, and suggest productivity improvements that benefit the economy as a whole. Efforts to improve the work environment are also being reinforced through the research and suggestions offered by the Premier's Council on Economic Renewal and the

Jobs and Training Outlook

recently established Premier's Labour/Management Advisory Committee.

Workers themselves are beginning to invest in the economy, not only through personal-skills upgrading, but by pooling their resources and becoming owners or co-owners of businesses. Government programs such as the Ontario Investment and Worker Ownership Program help to support and encourage employees in their role as owners. Workers in Kapuskasing recently took advantage of the government's programs and services to acquire ownership of a major pulp-and-paper facility in their town, thereby securing jobs and investment for the future.

These efforts are being complemented by a growing number of sectoral partnerships being generated among various firms and workers through such vehicles as the Sector Partnership Fund and Sectoral Training and Traineeship agreements. These programs indicate the government's commitment to working with industry, labour and community interests to create more and better jobs in Ontario.

Examples of Active Labour Market Programs and Services in Ontario*

1. **Public Employment Services and Administration**
 Social Services Employment Program
 Broader Public Sector Secretariat
2. **Labour Market Training**
 - a) Training for unemployed adults and those at risk
 jobsOntarioTrainingFund
 Transitions
 - b) Training for Employed Adults
 Ontario Skills
 Apprenticeship
3. **Youth Measures**
 - a) Measures for unemployed and disadvantaged youth
 Youth Employment Counselling Centres
 jobsOntarioYouth
 - b) Support of apprenticeship and related forms of general youth training
 Secondary School Workplace Apprenticeship Program
 Traineeships
4. **Employment Supports**
 - a) Supports for regular employment in the private sector
 FUTURES
 Northern Ontario Training Opportunities Program
 - b) Support of unemployed persons starting enterprises
 Youth and Student Venture Capital
 Centres of Entrepreneurship
 - c) Direct job creation
 Environmental Youth Corps.
 - d) Child Care Support
5. **Measures for Persons with Disabilities**
 Workers Compensation Board Rehabilitation Centre
 Vocational Rehabilitation of Disabled Persons
 Supported Employment for Persons With Developmental Handicaps

Income Support Programs

6. **Unemployment Compensation**
 Social Assistance and Family Benefit Allowance
 Ontario Employee Wage Protection Program
7. **Early Retirement for Labour Market Reasons**
 Program for Older Worker Adjustment

* Illustrative of programs and services offered by the Ontario Government.
 Source: OECD framework and Ministry of Treasury and Economics.

Chapter 3: The Investment Outlook

Introduction

Investment can be defined as current spending intended to generate future economic returns. Almost all participants in the Ontario economy undertake some type of investment, aiming to increase profits, personal incomes, job security or overall economic growth. Directly and indirectly, these investments are the primary mechanism for enhancing future productivity performance.

Key Messages:

- Diverse forms of investment, including machinery and equipment, R&D and technology, organizational change, training, environmental improvement and public infrastructure, are mutually reinforcing.
- Investments are made by manufacturing and service businesses, individuals and governments. Cooperation and partnerships can make investment more effective.
- Investment in the Ontario economy has not been sufficient to sustain high employment levels and productivity improvements. The future picture is more positive. Business investment is rising, supported by better cash flow and stronger markets.
- Ontario generates sufficient savings to finance investment. However, investment flows do not always reach areas of greatest economic need or payback. Programs such as the proposed Ontario Investment Fund will help address expertise gaps and other barriers to more effective investment.
- Machinery and equipment investment grew through 1991 and is expected to continue growing in the medium term.

Investment assumes different forms, such as machinery and equipment, workplace restructuring, R&D, training, education and physical infrastructure. Each contributes to overall productivity growth. For example, business spending on up-to-date equipment and workplace organization yields higher output and increased profitability. Individual and business investments in education and skills development enhance participation in the workplace and adaptability in the labour market. Physical, social and telecommunications infrastructure lays the groundwork for efficient private production.

By making both capital and labour more efficient, productivity gains contribute to lower costs while increasing or maintaining output. This translates into an improved competitive position. New investments can also encourage better quality control or entry into specific markets, further raising value added and market share. The results are higher

profits, greater incomes for workers and increased employment.

Despite its importance to economic performance, Ontario's record on investment has been uneven. Machinery and equipment investment has been weak relative to other major industrialized countries. R&D investment remains low. On the positive side, investment in service industries has risen. The forecast is also positive, with rising business confidence, higher profits and improving cost competitiveness providing the incentive for new investments.

New Approaches to Investment, Productivity and Jobs

The fundamentals of investment performance are changing. New technologies, including powerful, inexpensive information technologies and modern materials, can revolutionize workplace operations and output. In many cases, however, these cannot simply be grafted onto current structures or successfully introduced into a static workplace. Worker and management training, for example, is a prerequisite for realizing the potential of sophisticated machinery.

The productivity and profitability gains derived from new investment can be magnified through partnerships and cooperation. For many manufacturing and service firms, the effective application of new capital equipment requires a fundamental re-engineering of production processes and systems. This change offers unique opportunities for establishing new organizational structures, aimed at providing responsive workplace environments. In many cases, higher returns from investment hinge on new partnerships with employees based on training, empowerment and decentralized decision-making.

Public Policy and Investment

Public policy has an important impact on productivity-enhancing investment. Macroeconomic policy shocks, such as an over-valued dollar or high real interest rates, can discourage new investment or lower the returns on existing investments. Regulatory and legal frameworks should support investment and economic adaptation, while maintaining appropriate public-interest safeguards.

Ontario is implementing a new approach to economic and industrial policy and is taking an active role in facilitating investment. The 1992 Ontario Budget established an overarching framework for economic renewal, detailed in the Budget Paper *Investing in Tomorrow's Jobs*.

Investment Outlook

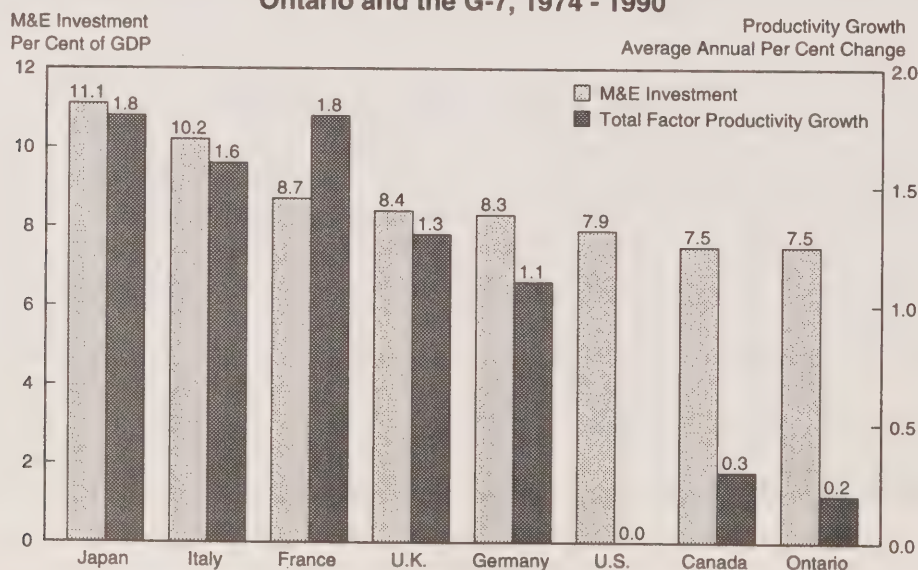
Cooperation can also take place between firms in a sector. Inter-firm networks for technology development, financing, worker and management training, and international marketing provide resources beyond the capacity of individual firms. These synergies are important to the overall economy, supporting dynamic sectors with strong export potential. The intense competitive rivalry associated with healthy markets can help ensure cost-competitiveness.

Machinery and Equipment Investment

Extensive capital investment is an important characteristic of an advanced industrial economy. International comparisons suggest that new investment in machinery and equipment, replacing that made obsolete by rapid technological change, is crucial to improving productivity. State-of-the-art machinery, combined with training and workplace restructuring, leads to tremendous output and quality improvements.

Modern machinery and equipment allows for much more flexible approaches to production. This can help offset the traditional advantages associated with economies of scale. Manufacturing firms in particular are able to target production to specific markets, aiming for higher value market segments. New technologies are also instrumental in monitoring and improving production quality, again improving the competitive potential of manufacturing firms. Ontario manufacturers, despite the depth of the recession, increased real machinery and equipment investment by 4.4 per cent in 1991.

**Machinery and Equipment Investment and Productivity Growth,
Ontario and the G-7, 1974 - 1990**

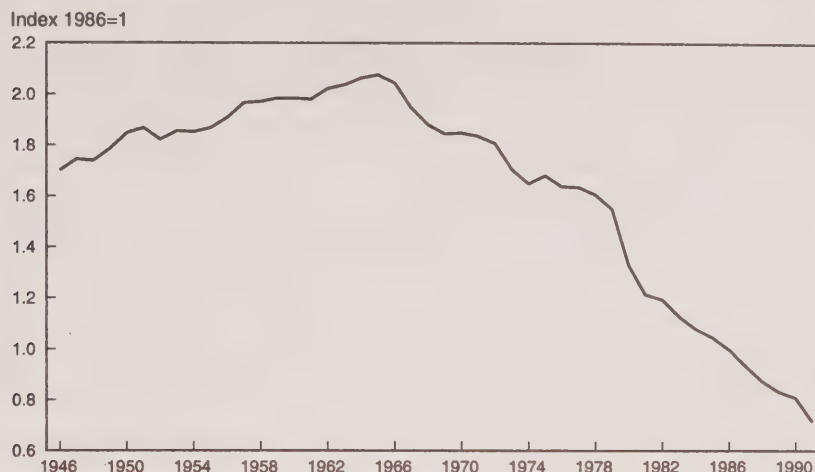


Sources: OECD and Ontario Ministry of Treasury and Economics

In addition, the incorporation of information technology advances into machinery has allowed for a sustained decline in the real cost of machinery and equipment. The result is better equipment at lower cost.

1992 Ontario Economic Outlook

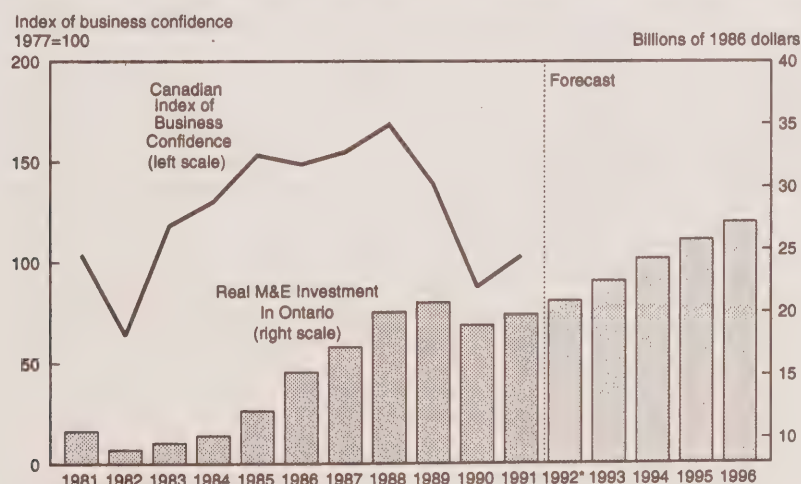
Cost of Machinery and Equipment Investment, Canada, 1946-1991*



* relative to total GDP Price Index
Source: Statistics Canada

Fortunately, Ontario businesses are taking advantage of lower equipment prices, prospects of higher corporate profits and greater confidence to increase investments in machinery and equipment. In constant dollar terms, business spending on machinery and equipment in Ontario grew steadily through 1991. Although spending suffered a temporary setback in the first half of 1992, a resumption in machinery and equipment investment is expected this year. According to Statistics Canada's revised investment intentions survey, Ontario's businesses intend to increase current dollar spending on machinery and equipment for 1992 by 6.3 per cent, up from the 3.4 per cent increase anticipated earlier in the year. Real investment in machinery and equipment in Ontario is also expected to continue to rise in the medium term.

Investment in Ontario and Business Confidence in Canada, 1981 - 1996



* Second quarter data for 1992

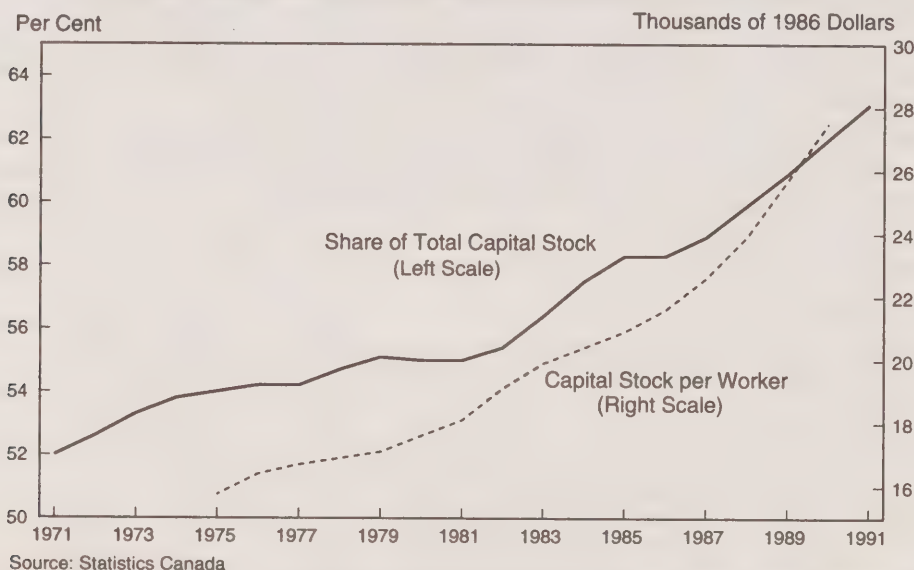
Sources: Ontario Ministry of Treasury and Economics, Conference Board of Canada

Service Sector and New Business Investment

Ontario's service sectors are tremendously important to the overall economy, accounting for about two-thirds of output and employment. Many services are traded internationally, and productivity gains enhance competitive positions. Manufacturing industries also rely heavily on business services, and benefit from lower costs. Productivity increases for personal or non-traded services contribute to overall living standards by reducing prices or increasing service availability.

A growing share of the province's investment has been in the service sector. Investment per service-sector worker is rising steadily. About two-thirds of Ontario's stock of machinery and equipment is used outside manufacturing, up from half in 1971. Service activities are improving productivity through high-technology equipment. For example, electronic bar-code readers are commonplace in the retail industry, leading to better customer service and inventory management.

**Machinery and Equipment Capital Stock
in Non-Manufacturing Sector, Ontario, 1971 - 1991**



The service sector is a source of key technological advances and new entrepreneurial activity. In the province's competitive software industry, for example, considerable innovative activity is taking place in start-up or smaller enterprises. Small organizations are often leading the way in changing technologies, creating new forms of workplace organization and responding to increased competition.

Helping New Enterprises

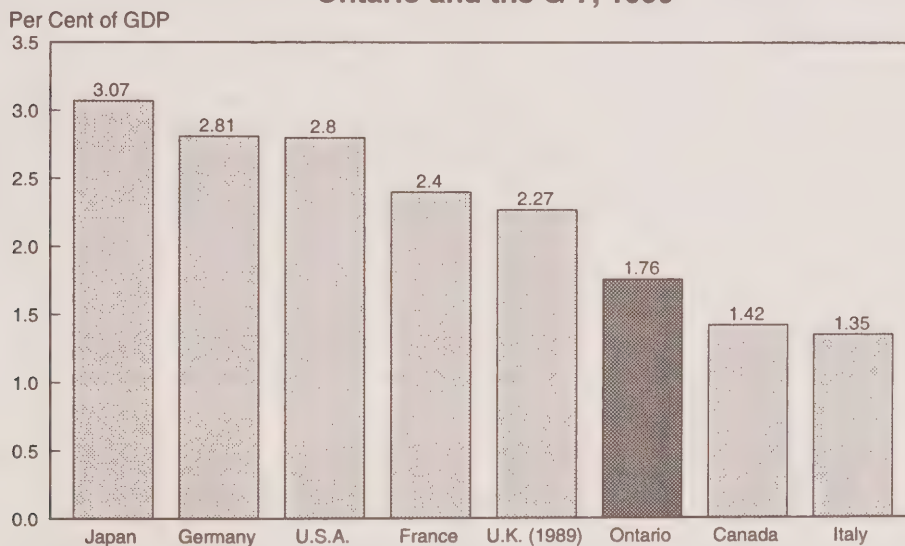
The government has several programs to help increase access to financing for smaller and technology-oriented companies, including the Innovation Ontario Corporation and the recently announced Sector Partnership Fund. The Premier's Council on Economic Renewal is also exploring ways to help groups of companies pool investment capital, management expertise, and modern technologies. The 1992 Ontario Budget targeted additional tax relief to small business.

Investment in Research and Development

Investment in research and development (R&D) adds to the stock of knowledge in the economy. The practical application of this knowledge yields important productivity gains by improving production processes and creating better products and services.

Canadian investment in R&D traditionally ranks below that of other industrialized countries. This reflects both industrial structure and the preponderance of foreign-owned firms. Foreign firms tend to conduct relatively less in-house R&D in Canada than their domestic counterparts.

**Expenditure on Research and Development,
Ontario and the G-7, 1990**



Source: Statistics Canada

Making effective use of limited R&D resources is an important challenge for the Ontario economy. In part, low R&D spending is offset by acquiring knowledge generated elsewhere. This takes place through the intra-firm channels of multinational corporations or through imports of machinery, equipment and patents.

There is also an emerging opportunity to increase Ontario-based R&D by

Investment Outlook

multinational corporations. As multinationals increasingly lose identification with any one country, they can be encouraged to acquire a world product mandate and associated research and development. There are positive signs in this direction, with R&D expenditure by foreign-controlled companies almost doubling from 0.7 per cent of sales in 1975 to 1.3 per cent in 1989.

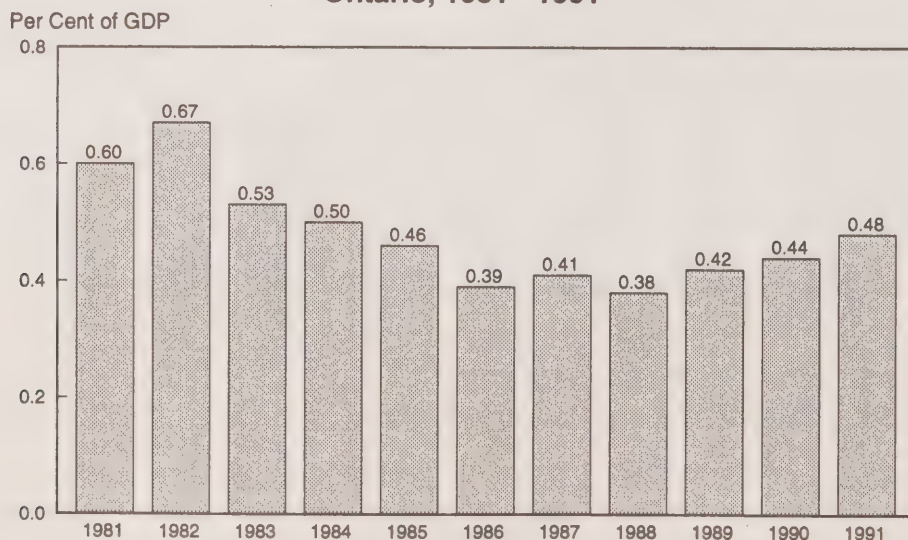
Encouraging R&D and Technology Diffusion

Ontario is committed to helping the private sector meet R&D and technology diffusion challenges. A province-wide R&D and technology diffusion network is in place, based on university research, community colleges and government laboratories. Direct programs encouraging collaboration between business and academic researchers and among businesses include the Ontario Centres of Excellence, Industry Research Program, and University Research Incentive Fund. To provide greater tax-based incentives for high-technology activities, the 1992 Budget broadened eligibility for the R&D Super Allowance.

Government Investment in Infrastructure

Public investments in physical infrastructure -- highways, telecommunications, urban transit, water and sewer systems and hospital, education and other facilities -- are essential to economic efficiency. Ontario and Canada have traditionally benefited from comprehensive public infrastructure, with the investments of past decades continuing to support current output and productivity.

**Provincial Government Investment in Fixed Capital,
Ontario, 1981 - 1991**



Source: Ontario Ministry of Treasury and Economics

Public infrastructure, however, cannot be taken for granted. The Ontario

Government's contribution to overall investment in fixed capital has fallen. Over the coming years, investments by Ontario and other governments will need to be strategically linked to the future needs of the economy.

New investments can help alleviate bottlenecks that develop due to aging facilities, and take advantage of new forms of infrastructure technology. These latter advances are necessary to keep pace with the expansion and increasing sophistication of the private economy. For example, "smart" highways can use information technology networks to reduce congestion, pollution and energy consumption. Government support for innovative infrastructure projects can also provide private firms with important experience and competitive advantages in bidding for international projects.

Infrastructure investment offers a powerful job-creation mechanism, concentrating direct and indirect benefits in the provincial economy. With substantial unemployment and under-utilized capital equipment in construction, engineering and related fields, governments can pursue physical infrastructure projects at lower cost and with greater stimulation to the overall economy.

Ontario Infrastructure

Ontario has moved aggressively to make necessary public investments. The 1992 Budget set a \$3.9 billion target for capital spending. **jobsOntarioCapital** and **jobsOntarioHomes** will direct strategic investments to areas of greatest social need and future productivity gains.

Recognizing the vital role of capital spending, Ontario is developing a separate capital report. The government is also undertaking specific steps to establish strategic linkages between infrastructure and emerging economic requirements. For example, the recently released report of the Telecommunications Advisory Committee, "*Telecommunications: Enabling Ontario's Future*", provides an illustration of the government working together with partners (business, labour, users and providers of telecommunications services) in establishing an appropriate telecommunications strategy. This will focus on building infrastructure to support Ontario's dynamic telecommunications sector, promoting telecommunications applications, and developing the Ontario Government as a model user.

Financing Investment

Investments by workers, business or governments, require access to financial capital. This capital can be generated by domestic savings, or by attracting financing from other countries. Ontario's relatively high gross savings rate, averaging about 26 per cent of GDP, has exceeded investment requirements over the past three decades. Ontario residents have typically been net lenders to the rest of Canada and the world. Ontario savings have been adequate to finance past levels of aggregate investment. The province does not face an overall shortfall of financial capital.

Despite the relative availability of capital, however, Ontario workers, businesses and governments have not invested sufficiently to ensure sustained productivity growth. The key questions centre on the distribution and use of capital. It may be possible to invest more

Investment Outlook

effectively in workplace change, innovation, machinery and equipment, human resources and other measures to increase future productivity.

Financing Investment and Productivity Gains

The government has taken positive steps to develop new ways to finance positive economic restructuring. For example, the government has introduced the Ontario Investment and Worker Ownership Program. This program provides tax credits to encourage all Ontarians to invest in the Ontario economy through Labour-Sponsored Investment Funds. It also provides tax credits to employees who are prepared to become significant partners or owners in their employer's firm. Together, the tax credits offered through this program create new opportunities for investment, productivity and employment.

To help match financial capital to the underlying requirements of the economy, the government is developing the Ontario Investment Fund. The Fund will work with financial institutions, major investors, pension funds and labour groups. This effort will focus on creating the expertise necessary to identify and evaluate new opportunities for sustained productivity gains and financial returns across the economy. Investment capital will be raised on a strictly voluntary basis, with the government adopting a supporting role to private sector knowledge and financial resources. An advisory group of senior business, financial and labour representatives is currently working with the government to establish an effective fund.

Chapter 4: Economic Outlook

Key Messages:

Ontario Economic Outlook at a Glance

	1992	1993	1994-96 (Annual Average)
Real Growth (%)	1.5	3.8	4.1
Employment Growth (%)	-1.1	2.1	3.0
Unemployment Rate (%)	10.8	10.6	7.9*
CPI Inflation(%)	1.4	2.0	2.0

* 1996 Unemployment Rate Forecast

Source: Ontario Ministry of Treasury and Economics

- The Ontario economy is undergoing a period of profound structural adjustment. This will restrain output and employment growth in the short term but presents an opportunity for sustained growth in the medium term.
- Declines in nominal interest rates over the past two years and the lower external value of the Canadian dollar, combined with continued, but modest, U.S. growth have set the stage for a moderate recovery in the Ontario economy. Real output is expected to rise by 1.5 per cent in 1992 and 3.8 per cent in 1993.
- Over the 1992-96 expansion, real growth is forecast to average 3.5 per cent per year. Ontario's pace of economic expansion is anticipated to exceed that of all G-7 countries. Despite the expected recovery, the economy will remain below capacity in the medium term and the decline in the unemployment rate will be gradual.
- Household spending will benefit from low interest rates, pent-up demand, higher migration levels and income gains. Business investment in machinery and equipment will be supported by higher profits and the continuing need to restructure. Export sales will be supported by U.S. growth and the benefits of a restructured economy.
- Productivity growth is expected to average 1.1 per cent over the medium term, comparable to the trend rate of growth during the 1980s. With effective investment, productivity growth could be substantially higher, resulting in higher incomes, profits and job creation.
- If business, labour and government work together effectively to address the challenges of structural adjustment, the economy's performance could be much better than projected in this outlook.

Introduction

The macroeconomic outlook presented here is not a target for growth but rather a projection based on reasonable assumptions regarding important economic variables such as interest rates, exchange rates and international growth. The forecast is also based on existing government policies and the current structure of production.

If business, labour and government work together and address the challenges of structural adjustment effectively, the economy's performance could be much better. Partnerships and new forms of cooperation are essential to effective investment. Such cooperation would raise Ontario's productivity growth and lead to increased returns on investment, higher wages and more jobs.

Ontario's Economic Performance: 1981 - 1991

Following a sharp downturn in 1981-82, the Ontario economy expanded rapidly. Over the 1983-89 period, real output and employment rose at an annual average rate of 5.3 and 2.9 per cent respectively, faster than any G-7 country. This rapid pace of growth reflected both the underlying strengths of the Ontario economy and favourable factors outside the province's control. Global economic growth was quite strong, with GDP in the G-7 countries rising 3.8 per cent per year over the same period. Ontario also benefitted from its close proximity to the U.S. market and the rapid pace of growth in U.S. consumer demand, particularly motor vehicle sales during the first half of the 1980s. The declines in the value of the Canadian dollar, oil prices and interest rates, contributed to Ontario's rapid economic expansion.

The worldwide expansion in the second half of the 1980s was fuelled largely by rapid growth in corporate and personal debt. This pattern was most evident in North America. Most of this debt was directed to financing commercial and residential real estate development and an unprecedented wave of corporate mergers and acquisitions. The rapid growth of debt was prompted and validated by rapidly rising asset prices. In that environment, it is not surprising that a disproportionate share of investment was directed toward speculative activities.

Ontario's rapid GDP expansion, in the second half of the 1980s, masked growing imbalances in the economy. The need to restructure the economy was reflected in slow productivity growth, particularly in the manufacturing sector. The profitability of speculative activities led to a shift of resources away from the restructuring required in other sectors of the economy. The rising dollar further undermined the ability of Ontario's manufacturers and exporters to adjust to the challenging new environment created by the Canada-U.S. Free Trade Agreement. Many firms that might have been able to adjust to the onset of free trade went bankrupt because of the high dollar and high interest rates. The introduction of the Goods and Services Tax was an additional factor that eroded consumer confidence and had a severe impact on domestic demand.

The Household Sector

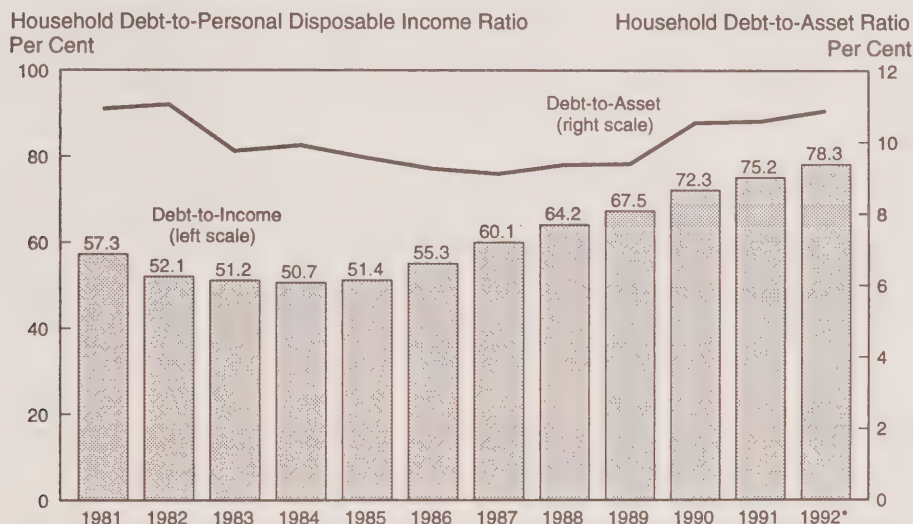
The rapid pace of growth in household spending in Ontario during the last half of the 1980s was based largely on increased consumer borrowing, particularly for residential

1992 Ontario Economic Outlook

mortgages. Ontario home prices increased by an average of 21 per cent per year in the late 1980s. This encouraged speculative buying, while at the same time making home ownership more difficult for renters. Real residential investment expanded 10.7 per cent per year during the second half of the 1980s. Spurred by notional gains achieved in the housing market and the need to furnish newly completed homes, real consumer spending also expanded more quickly than did disposable income in the late 1980s, adding to the buildup of personal debt.

Household debt as a per cent of disposable income rose from 50.7 per cent in 1984 to 67.5 per cent in 1989. The rapid rise in debt, however, was balanced by an increase in asset values. As a result, the debt-to-asset ratio remained stable until 1990, when housing prices declined. As long as house price increases kept pace with growing debt, the rising ratio of debt to income created little concern among homeowners.

Household Financial Ratios, Canada, 1981 - 1992



* first and second quarter data for 1992

Sources: Statistics Canada and Bank of Canada

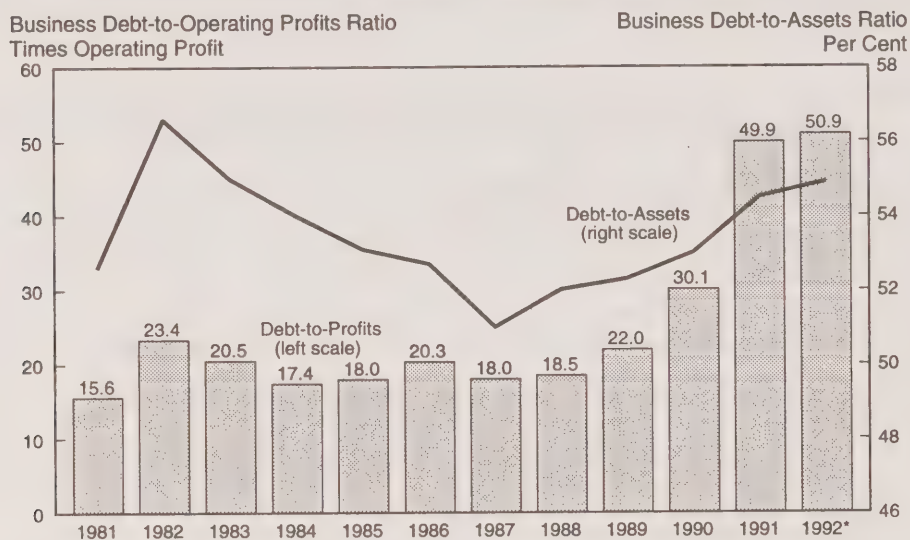
Beginning in mid-1988, the Bank of Canada pushed interest rates up sharply in an effort to lower inflation. Canada's chartered bank prime lending rate rose from under 10 per cent in early 1988 to 14.75 per cent by the spring of 1990 (the second quarter of the recession). Higher interest rates raised debt carrying costs dramatically for the household sector. Debt carrying costs as a per cent of disposable income rose from a low of 7.0 per cent in 1984 to 9.9 per cent in 1990. Rising interest rates and over-valued housing prices sharply curtailed demand, forcing many speculators to unload their real estate assets. Over-supply resulted in a dramatic fall in home prices and a deterioration in households' net wealth. Average resale home prices in Ontario have fallen about 20 per cent from a peak of \$196,181 in February 1989, to below \$160,000 this summer. This loss in wealth undermined the willingness of homeowners to spend on consumer goods and of potential homeowners to buy into a declining housing market. In 1990, real consumer spending declined for the first time since 1982 and real residential construction plunged 18.5 per cent.

Economic Outlook

The Business Sector

Corporate borrowing expanded by close to 11 per cent per year in the late 1980s, supported by rapidly rising property values and rents. Rising asset values allowed the debt-to-asset ratio to remain below the peak in 1981-82. Non-residential construction increased at an annual average rate of 10.8 per cent per year. The strength was concentrated in commercial construction activity spurred by rising real estate values.

Business Financial Ratios, Canada, 1981 - 1992*



* first and second quarter data for 1992
Source: Statistics Canada

As corporate borrowing increased and profits declined, the level of debt-to-operating profits climbed. In 1990, the combination of rising interest rates and plunging profits made it increasingly difficult for firms to meet their interest payments. The debt-service ratio (interest payments divided by operating profit) climbed from a low of 38 per cent in 1988 to over 100 per cent in 1991. Higher interest rates, the fall in corporate profits (which declined 46.9 per cent between the first quarter of 1989 and the fourth quarter of 1990) and the fall in real estate values contributed to a 21.1 per cent decrease in non-residential construction between 1989 and 1991.

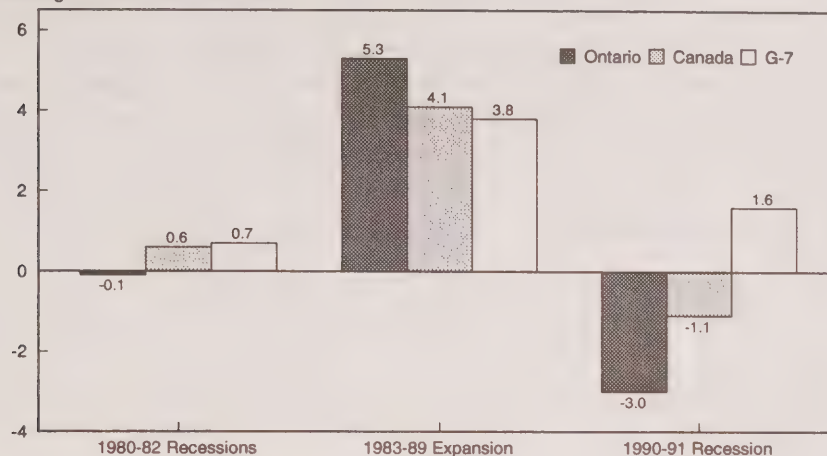
Shifting Sectoral Composition of the Ontario Economy

Ontario's continued reliance on basic technology, industrial materials and interest-sensitive consumer goods such as automobiles and housing produced strong growth in the 1980s, but helped set the stage for a much deeper recession than in the other G-7 countries.

1992 Ontario Economic Outlook

Real Output Growth, Ontario, Canada and the G-7, 1980 - 1991

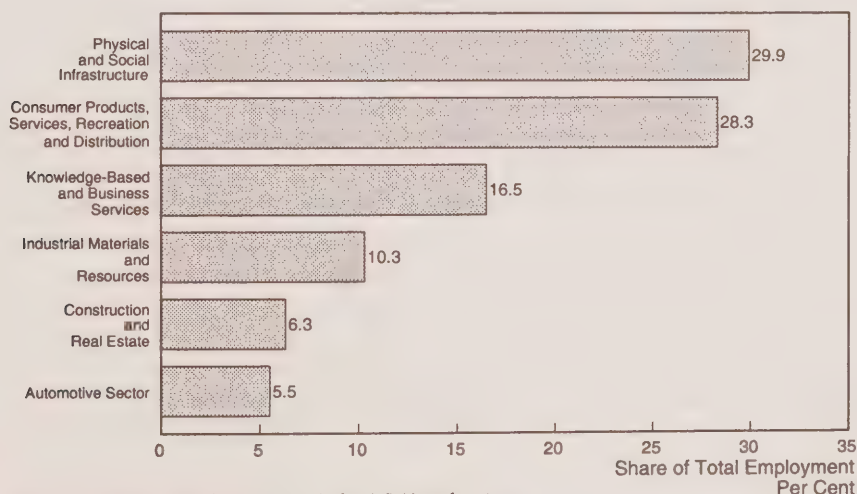
Real Output
Average Annual Per Cent Growth



Sources: OECD, Statistics Canada and Ontario Ministry of Treasury and Economics

The industrial structure of the Ontario economy changed modestly during the 1980s, moving away from resources and low-productivity consumer products toward services and knowledge-based industries. This slow pace of adjustment has resulted in lagging productivity performance in Ontario. Mounting global competitive pressures have forced many Ontario industries to develop market niches and upgrade toward higher value-added activities.

Composition of Employment by Sectors*, Ontario, 1991

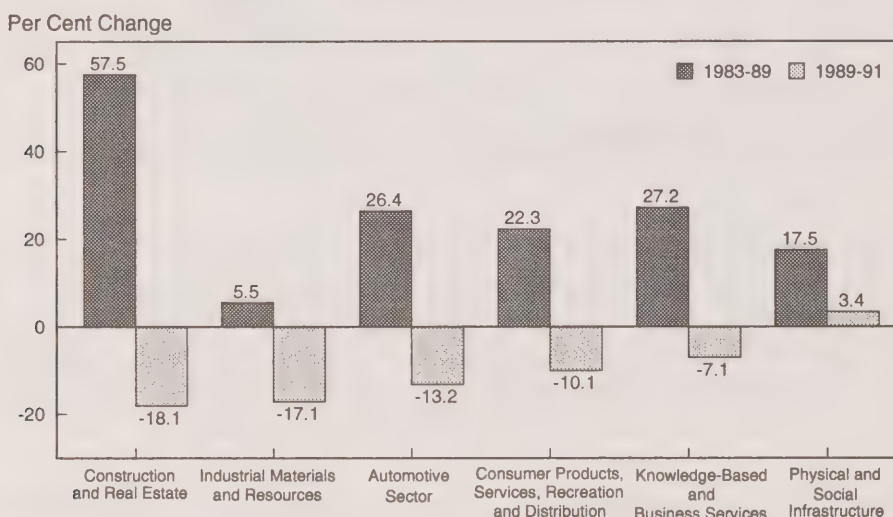


* see notes to Table 31 of Data Appendix for definition of sectors
Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

Economic Outlook

The knowledge-based and business services group of industries -- the leading high value-added, productive sector of the economy -- enjoyed strong growth during the 1980s, in line with other countries. This sector accounted for 20 per cent of the new jobs and provided high-paying jobs. As a result, its share of total employment edged up to 16.5 per cent, but still remains somewhat smaller than in major competitor countries. The relative difference in size compared to competitors in other jurisdictions is even more pronounced in high technology. For example, R&D-intensive manufacturing in Ontario has increased its share to about 9 per cent of total manufacturing shipments, still much less than the 20 per cent share in the United States.

Change in Employment by Sectors*, Ontario, 1983 - 1991



* see notes to Table 31 of Data Appendix for definition of sectors
Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

The consumer products and services sector accounted for the largest share of job gains during the 1980s, reflecting rapid growth in consumer spending. Job gains were concentrated in retail trade and distribution. The strong growth in consumer spending however, contributed to over-expansion in the retail sector and the resulting downsizing that is occurring in this sector. Employment in most manufactured consumer products, such as clothing and textiles, contracted during the 1980s, reflecting growing international competitive pressures and limited success in developing market niches.

The construction and real estate sector increased its share of employment during the 1980s, reflecting the rapid expansion in residential and commercial construction. Speculative activity helped fuel the over-expansion, particularly in non-residential construction. This sector is now facing a marked decline.

The automotive sector, a mainstay of the Ontario economy, remained a source of strength during the 1980s. Strong investment in modern plant capacity played an important role in raising Ontario's share of North American auto assembly to more than 15 per cent.

1992 Ontario Economic Outlook

The industrial materials and resource sector, however, saw little job growth during the 1980s. Employment in agriculture, forestry and smelting and refining decreased. This reflected a continuing secular decline stemming from technological change, reduced materials intensity in production and declining world real commodity prices.

Employment in physical and social infrastructure industries -- a large component of the economy ranging from transportation to social services and public administration -- grew less rapidly than the economy as a whole. The increasing orientation towards a service economy in Ontario, focusing on the specialized needs of people and business, was reflected in strong job growth in areas such as education, health and welfare. This was offset by modest employment growth in transportation, communication, utilities and public administration.

Impact of Recession

Real output in Ontario declined by 7.8 per cent during the 1989-91 recession and 320,000 jobs were lost, making this recession the most severe downturn in Ontario since the 1930s.

Comparison of Post-War Recessions in Ontario		
Recession Period	Length (Quarters)	Real GDP Decline (Per Cent)
1951:1 - 1951:2	2	-2.4
1954:1 - 1954:2	2	-1.5
1957:4 - 1958:2	3	-1.6
1974:4 - 1975:1	2	-0.6
1979:4 - 1980:3	4	-2.2
1981:3 - 1982:3	5	-5.9
Average	3	-2.4
1989:4 - 1991:1	6	-7.8

Many industries responded to the prolonged and widespread declines in sales, and mounting competitive and structural pressures, by engaging in severe cost-cutting and staff reductions, which themselves intensified the declines. Unlike past recessions, most of the plant closings were permanent, as industries closed inefficient plant capacity and consolidated through plant relocation.

Sharp declines in shipments and employment were experienced by low-skill, low-wage manufacturing industries such as clothing, textiles and furniture. Employment in cyclically-sensitive industries such as industrial materials and resources was also hit hard. Knowledge-based and business services employment was not immune to the recession, as

Economic Outlook

business spending on machinery and equipment and other inputs fell. Growth in R&D-intensive shipments slowed but remained positive. The only source of net job growth was the physical and social infrastructure sector. This largely reflected the Ontario Government's decision to maintain essential services during the recession.

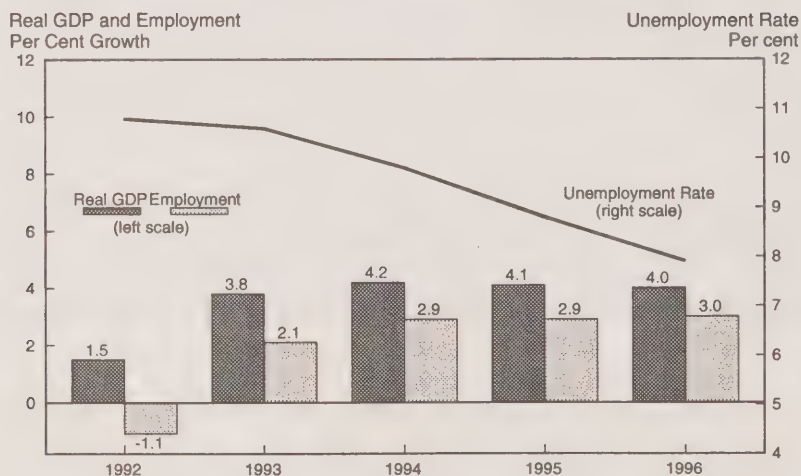
The recession produced a severe deterioration in government finances. A recent publication by the private sector forecasting firm WEFA found that with lower interest rates and a lower dollar, the unemployment rate would have been two percentage points lower in 1991, and the combined government deficits in Canada would have been \$29 billion lower.

Economic Outlook

Overview

Ontario's economy is expected to grow by 1.5 per cent in 1992 and 3.8 per cent in 1993. Over the 1994 to 1996 period, growth will accelerate to an annual rate of 4.1 per cent. Household spending will benefit from low interest rates, pent-up demand, higher migration levels and income gains. Business investment in machinery and equipment will be stimulated by a rebound in corporate profits, increased demand and the need to undertake positive structural adjustment. Export sales will be supported by U.S. growth and the benefits of a restructured economy. Productivity-enhancing machinery and equipment investment will improve the competitive position of Ontario firms and encourage stronger job growth in the medium term.

Economic Outlook, Ontario, 1992 - 1996



Source: Ontario Ministry of Treasury and Economics

Key Factors Affecting the Economy

Recent Developments: Hesitant Recovery Under Way

- Low interest rates, a lower dollar and continued, but modest, U.S. growth have provided the basis for a moderate but sustained recovery.
- Ontario real GDP has risen a total of 2.7 per cent since the first quarter of 1991, much slower than previous upturns and well below the 8.3 per cent rise for the same period following the 1981-82 recession.
- Interest rates fell from a peak of 14.75 per cent in spring 1990 to as low as 6.25 per cent in the third quarter of 1992.
- The Canadian dollar has fallen over 10 per cent from the recent peak of over 89 cents U.S. in November 1991.
- While the U.S. economy appears to have lost some momentum, it is still providing stimulus for Ontario's export sector.
- Ontario's August CPI inflation rate was 0.6 per cent, up slightly from a record low of 0.5 per cent in June.
- Employment gains typically lag the recovery in real growth. During Ontario's current recovery, slower real output growth and intense competition have led to continued job losses.

Interest Rates and the Canadian Dollar Lower

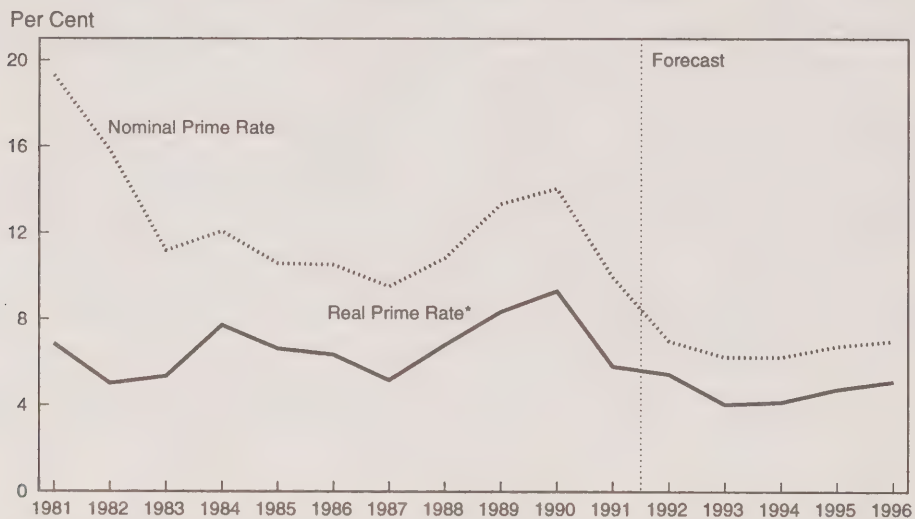
The weakness in economic activity and the resulting lower inflation have clearly demonstrated the need for lower interest rates. The prime lending rate fell to 6.25 per cent in the third quarter of 1992, the lowest level since March 1973 and less than half the peak of 14.75 per cent in spring 1990. The real rate (measured as the prime lending rate less the CPI inflation rate) has also come down, falling from a peak of over 10 per cent in mid-1990 to close to 5 per cent recently.

Economic Outlook

The prime lending rate is forecast to remain close to 6 per cent in 1993 and 1994. The recent volatility in financial markets is expected to be temporary.

Interest rates are expected to rise slightly in 1995 and 1996 as solid economic growth resumes. Federal monetary policy is expected to constrain growth and pre-empt inflationary pressures in the medium term.

Interest Rates, Canada, 1981 - 1996



* Deflated by Canadian Consumer Price Index
Sources: Bank of Canada and Ontario Ministry of Treasury and Economics

The Canadian dollar is expected to trade in the 80 to 84 cents U.S. range in 1993 and increase modestly over the medium term. Canada's improved inflation performance relative to the U.S. and rising trade balance will allow interest rate spreads to narrow over the medium term.

The International Outlook

According to the consensus of international forecasters, the G-7 countries are expected to experience a modest rebound in 1992 and 1993, with average real growth of 1.4 per cent and 2.4 per cent respectively, following 0.7 per cent growth in 1991. Over the 1994 to 1996 period, real output is forecast to strengthen, rising by an average annual pace of 2.9 per cent.

The current recovery in the United States has been very weak by historical standards, with overall real GDP growing only 2.0 per cent since the first quarter of 1991. Like many industrialized countries, the U.S. economy has been constrained by high debt loads and weak household demand.

The United Kingdom is experiencing a particularly long and deep recession, and Germany is facing fiscal and inflationary problems due to unification. High German interest

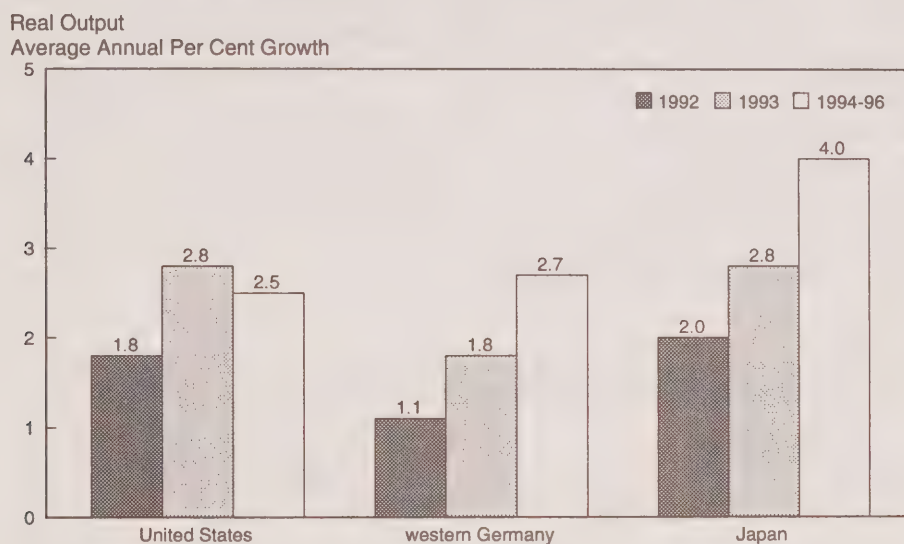
1992 Ontario Economic Outlook

rates are placing upward pressure on global rates.

Japan is experiencing a slowdown in growth, as the effects of the collapse of property and equity markets impact on the economy. The Japanese government's recent 10.7 trillion yen (C\$110 billion) stimulative package should have a positive impact.

Overall world growth is also slow, due to a global trend to disinflation and massive international structural adjustments in the face of freer world trade and political changes.

International Economic Growth, 1992 - 1996



Note: GDP data for United States, GNP data for western Germany and Japan
Sources: Blue Chip Economic Indicators and Consensus Forecasts

Canadian Outlook

The Canadian economy is forecast to grow by 1.3 per cent in 1992, and 3.3 per cent in 1993. Over the 1994 to 1996 period, real growth is expected to strengthen, rising at an average annual pace of 3.6 per cent. Canada's growth will be constrained by the slow pace of international growth and restructuring in natural resources and basic technology industrial materials.

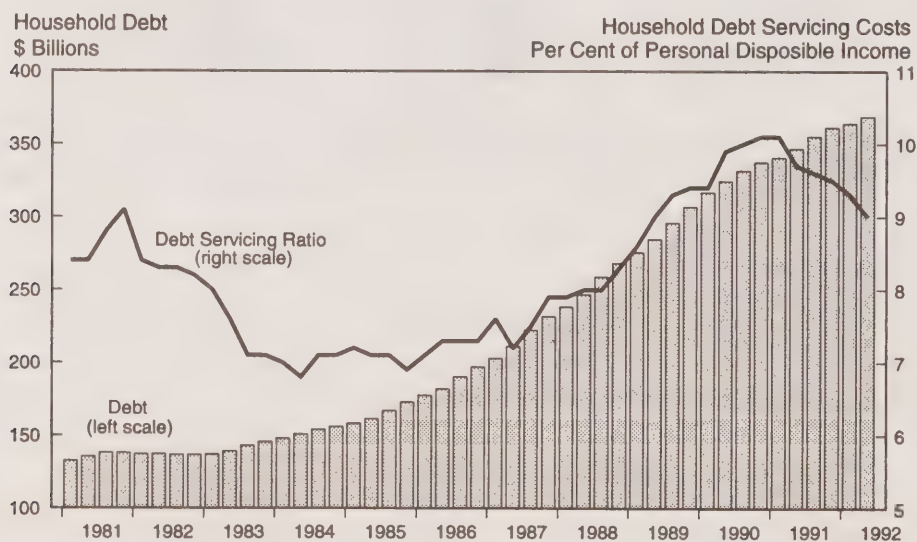
The Ontario Outlook in Detail

Modest Consumption Growth Predicted

Lower interest rates, together with improved labour and housing markets, are expected to brighten the outlook for consumer spending. However, the spending recovery during the short term and the expansion in the medium term are expected to be moderated by high debt loads and high contractionary savings.

Although household debt burdens are still high, the growth has slowed. In the second quarter of 1992, household debt was 6.6 per cent higher than a year ago. This pace of growth is much slower than the double-digit growth recorded during the 1986 to 1990 period. Although mortgage credit is higher than a year ago, consumer credit has actually fallen. Lower interest rates provide significant financial relief for consumers. Debt servicing costs have fallen 9.1 per cent, or \$4.3 billion, from the peak in the first quarter of 1991. Debt servicing costs will continue to decline over the coming year as homeowners renew mortgages at much lower interest rates. Refinancing will allow debt service payments to fall. If the existing stock of debt was refinanced at 8.5 per cent (the recent rate for 5-year mortgages), down from 11.5 per cent (average effective rate) currently, debt financing costs would fall an additional 26 per cent (or \$11 billion).

Household Debt and Service Ratio, Canada, 1981 - 1992



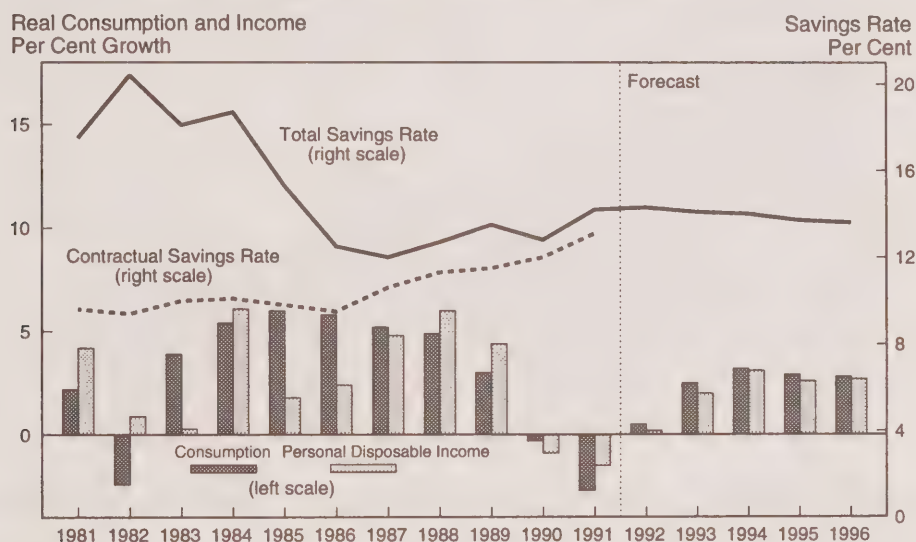
Sources: Statistics Canada and Department of Finance

High debt loads and eroded asset values reduce households' net wealth. As a result, households must reduce their debt loads to improve their debt-to-asset ratio. Lower asset values also limit households' ability to take on new debt to finance purchases. Consumer spending is also constrained by high contractual savings. In 1991, Canadians saved \$48 billion or 10.3 per cent of their after-tax income, but over 90 per cent of this total

1992 Ontario Economic Outlook

(or \$44 billion) was in the form of contractual savings (including life insurance plans, trusted pension plans and registered retirement savings plans) leaving only \$4 billion in savings accounts. In 1982, Canadians were saving 17.8 per cent of their after-tax incomes which was evenly split between contractual savings (\$22 billion) and money deposited in banks (\$25 billion). High debt repayment, retirement saving by the baby-boom generation and contractual savings will prevent the savings rate from falling significantly from current levels. Personal spending increases in the 1990s will therefore be supported primarily by gains in real income.

Real Consumption, Real Personal Disposable Income and Savings Rate, Ontario, 1981 - 1996



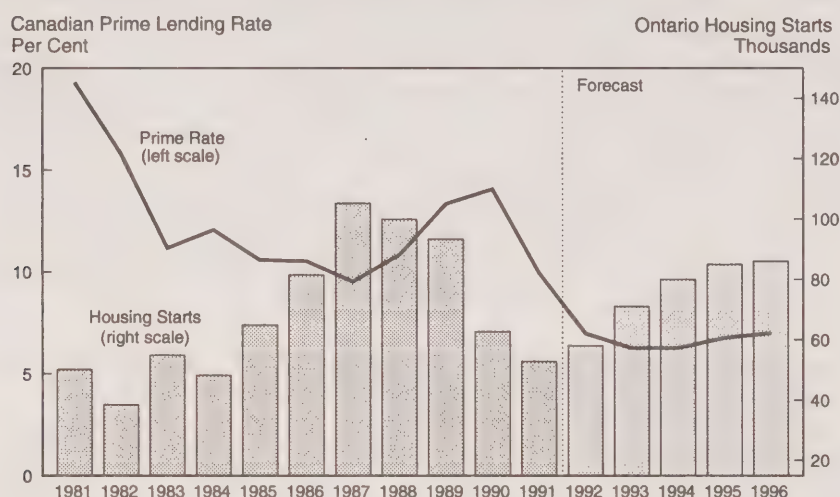
Source: Statistics Canada and Ontario Ministry of Treasury and Economics

As a result, consumption growth is expected to be slower than growth in the overall economy during the forecast period. Real consumption is forecast to rise by 0.5 per cent in 1992 and 2.5 per cent in 1993. Over 1994 to 1996, consumption is expected to strengthen, rising by an average annual rate of 3.0 per cent.

Housing will Contribute to Growth

The significant decline in Canadian interest rates over the last two years, combined with lower housing prices, provides the basis for a recovery in the housing market. According to the Canada Mortgage and Housing Corporation (CMHC), one renter in four can now afford to carry a starter home in Toronto, much improved from June 1990, when only one renter in fourteen could do so.

Interest Rates and Housing Starts, Ontario, 1981 - 1996



Sources: Bank of Canada, CMHC and Ontario Ministry of Treasury and Economics

Housing starts have averaged about 56,000 at annual rates over the first eight months of 1992, up from about 53,000 starts in 1991. This is largely due to increased construction of non-profit housing. Over the June-August period this year, sales of existing homes in Ontario were almost 10 per cent above levels of a year ago.

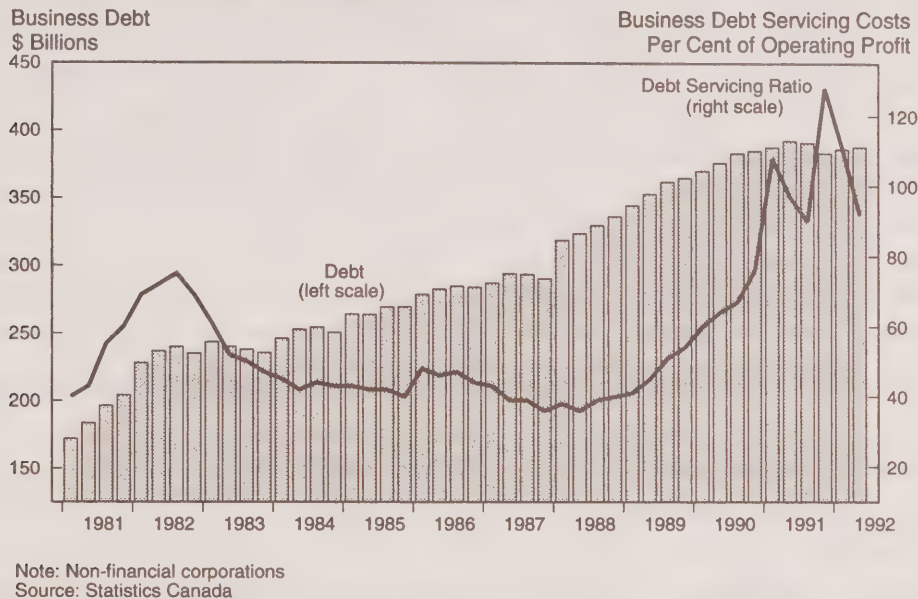
Ontario's housing market should strengthen appreciably over the medium term, supported by pent-up demand, rising employment and incomes, restrained house prices and continuing low mortgage rates. Demographic trends also support a sustained recovery in the housing market. The second, and larger, half of the baby boom generation is still in the prime first-time home-buyer age group (i.e. 26-35 years). Higher international migration and a return to positive net interprovincial migration will also increase demand for housing. According to the CMHC, underlying housing requirements are projected to average 77,500 units annually in the first half of the 1990s. In addition, **jobsOntarioHomes** will provide an ongoing stimulus to home builders by supporting the provision of 20,000 non-profit dwellings.

Residential investment is expected to grow by 7.6 per cent in 1992, accelerating to 14.3 per cent in 1993. Housing starts are expected to total 58,000 this year, rising by 22 per cent to 71,000 in 1993. Over the medium term, housing starts will increase to the 80-86,000 range. As a result, the housing sector is forecast to average 8.1 per cent growth during the 1994 to 1996 period, outpacing overall economic growth.

Machinery and Equipment Investment Set to Rise

Higher profits and lower interest rates have reduced debt-service burdens. As a result, business is in a better position to undertake positive restructuring to take advantage of the improving competitive position produced by lower interest rates, a lower dollar, decelerating wage increases and decreases in rent and other costs.

Business Debt and Service Ratio, Canada, 1981 - 1992



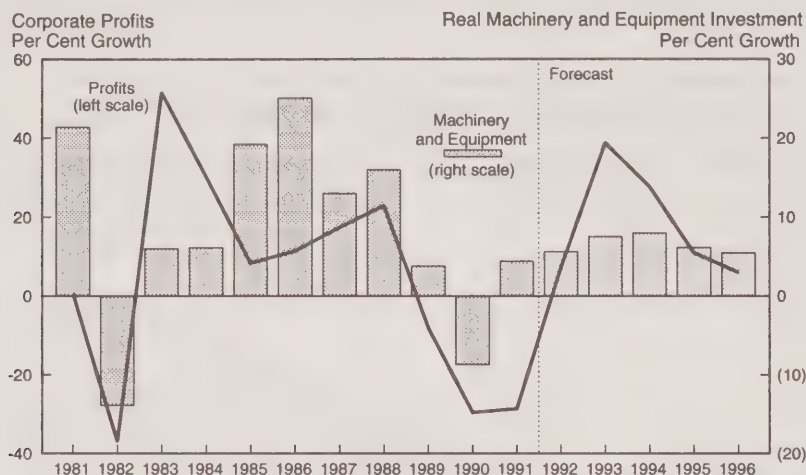
The recent drop in the dollar is expected to encourage higher investment, due to the boost it will provide to Ontario's export and import-competing industries. However, this positive stimulus will be partially offset because the lower dollar also raises prices for imported machinery and equipment. All of the anticipated increase in business investment during the near term reflects higher spending on productivity-enhancing machinery and equipment. The recovery in equipment investment reflects lower equipment prices and ongoing competitive pressures to improve productivity. The investment recovery will be sustained by stronger demand growth, low nominal interest rates and corporate tax cuts in the federal and Ontario budgets.

Real investment in machinery and equipment is expected to rise by 5.6 per cent this year, and by 7.5 per cent in 1993. The rebound in corporate profits in the first half of 1992 should allow increased machinery and equipment investment in the short term. Stronger economic growth and a continued recovery in profits will boost spending on equipment by an average 6.5 per cent annually over the 1994-96 period. This is slower than the 18.2 per cent average annual increase during the auto-led investment boom of the 1985-88 period. However, the 1990s are expected to entail more moderate economic growth in Ontario and worldwide. Increased investment bodes well for future productivity and output growth in the overall economy, since it enhances the competitive position of Ontario businesses. This

Economic Outlook

rate of growth could be even higher with supportive policy and strong partnerships between business, labour and government.

Corporate Profits and Investment, Ontario, 1981 - 1996

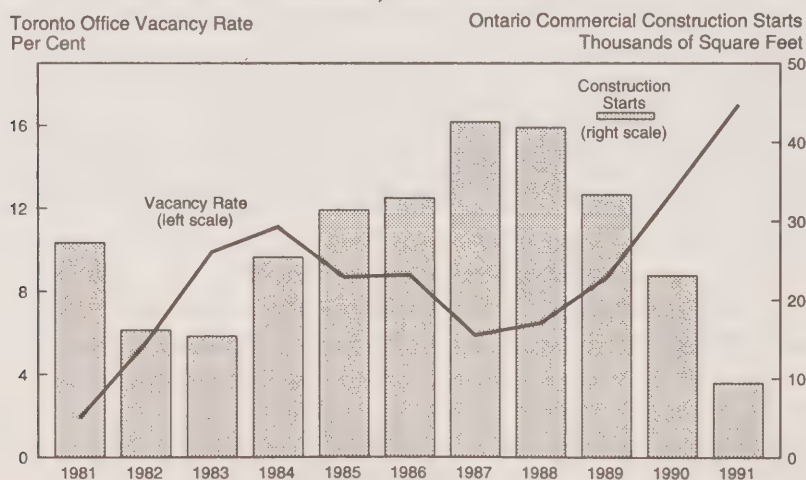


Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

Commercial Real Estate Spending to Remain Depressed

Ontario's commercial real estate market has been severely affected by the recession and by over-building in the late 1980s. The marked cyclical pattern of office vacancy rates in the Metro Toronto area reflects the building boom in the second half of the 1980s and the subsequent glut that now prevails.

Office Vacancy Rates and Commercial Construction, Ontario, 1981 - 1991



Source: Royal LePage and Canadata

In addition, a number of other factors will likely ensure that commercial real estate problems will not go away quickly.

Ongoing restructuring and consolidation in the financial-services industry will dampen demand growth for office space in the 1990s. Employment growth is expected to be weaker than in the 1980s. Competitive pressures are forcing firms to utilize office and retail space more efficiently, and technological advancements are facilitating an increasing number of work-at-home employees.

Although some specialized plants will be built, excess industrial space will limit growth in non-residential construction. Given current high levels of idle manufacturing capacity and prospects for only modest near-term growth in industrial production in Canada and the U.S., investment in additional plant capacity will lag the overall recovery in the Ontario economy.

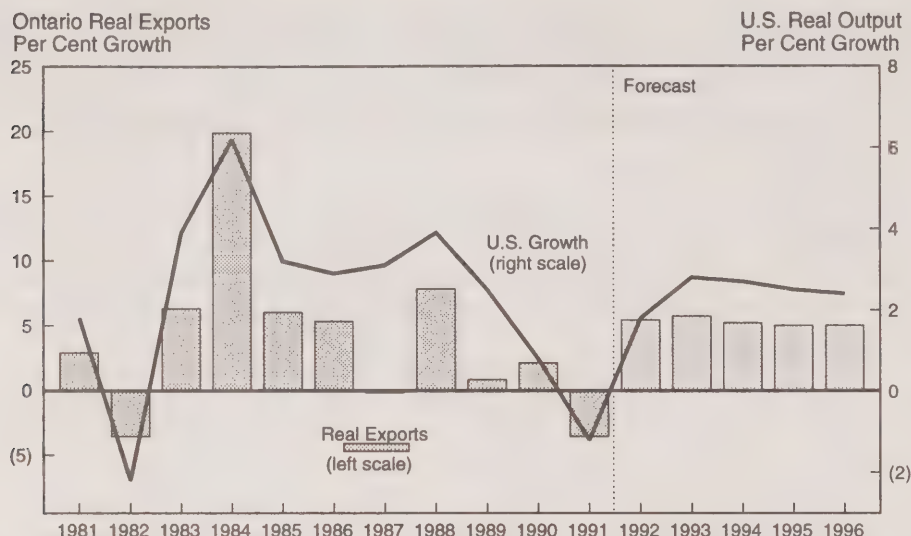
Given current conditions, real non-residential construction spending in Ontario is expected to fall by 13.1 per cent in 1992, and by a further 4.2 per cent in 1993. Ongoing weakness due to the excess supply of office, retail and industrial property will be only partially offset in the near term by increased construction in the communication and utilities sectors. Non-residential construction activity is forecast to post modest increases in the 1994 to 1996 period, once the maturing economic expansion sufficiently absorbs excess capacity.

Improved Competitiveness Supports Recovery in Trade

The Ontario economy is particularly open to, and dependent upon, trade. International exports are equivalent to about 30 per cent of the total economy, with autos and auto parts comprising by far the largest component of provincial exports. For comparison, U.S. exports are equivalent to only about 11 per cent of that country's output.

The U.S. is by far Ontario's largest export market, accounting for 88 per cent of Ontario's international exports. The U.S. has been experiencing a very gradual recovery since the second quarter of 1991, which helped Ontario's export volumes rise by over 10 per cent from the first quarter of 1991 to the second quarter of 1992. Vehicle sales in the U.S., which are a crucial barometer of Ontario's export fortunes, have been boosted by strong growth in light truck sales. The rest of the G-7 countries, which take in 4.1 per cent of Ontario's exports, are unlikely to provide a significant boost to the province's exports in the near term.

U.S. Growth and Ontario Exports, 1981 - 1996



Sources: U.S. Department of Commerce, Ontario Ministry of Treasury and Economics

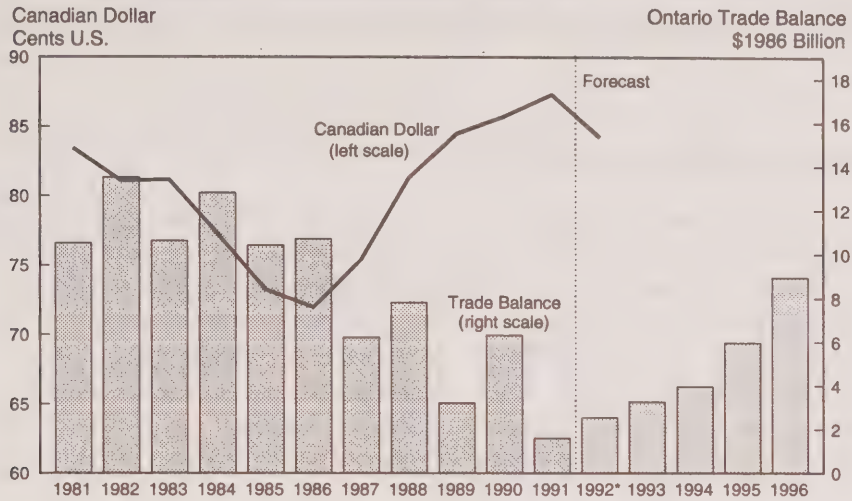
Currently, less than 30 per cent of Ontario's exports go to other provinces. Economic growth in the rest of Canada is expected to be somewhat slower than in Ontario over the medium term. Thus, exports to the rest of Canada will remain relatively slow.

The current economic restructuring process will raise Ontario's productivity, and thus improve Ontario's competitive position. In addition, Ontario is becoming more cost competitive due to the lower value of the Canadian dollar and lower interest rates.

In 1992, weak domestic demand and a rise in the price of imported goods, reflecting a decline in the dollar, will keep import growth below that of exports. Real exports are forecast to grow by 5.4 per cent in 1992 and 5.7 per cent in 1993. Over the 1994 to 1996 period, exports growth will average 5.1 per cent, as U.S. recovery picks up steam and North American auto sales experience a cyclical rebound. Imports are forecast to grow more slowly than exports over this period, as Ontario domestic demand for consumer and investment goods gradually recovers.

1992 Ontario Economic Outlook

Exchange Rate and Real Trade Balance, Ontario, 1981 - 1996



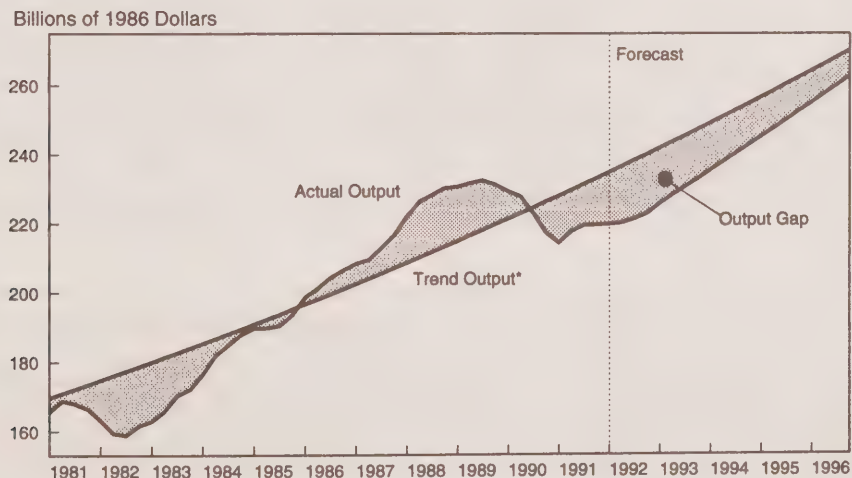
* January to August 1992 Average

Sources: Bank of Canada, Ontario Ministry of Treasury and Economics

Ontario Output is Significantly Below Capacity

The reduction in output associated with the 1989-91 recession has opened a large gap between the economy's actual and full capacity level of output. Plant closures and unemployed workers represent a significant loss of production. The peak-to-trough output loss during the recession was 7.8 per cent, much higher than the 5.9 per cent decline during the 1981-82 recession.

Trend and Actual Output, Ontario, 1981 - 1996



*Trend growth is assumed to be 3.0 per cent per year

Source: Ontario Ministry of Treasury and Economics

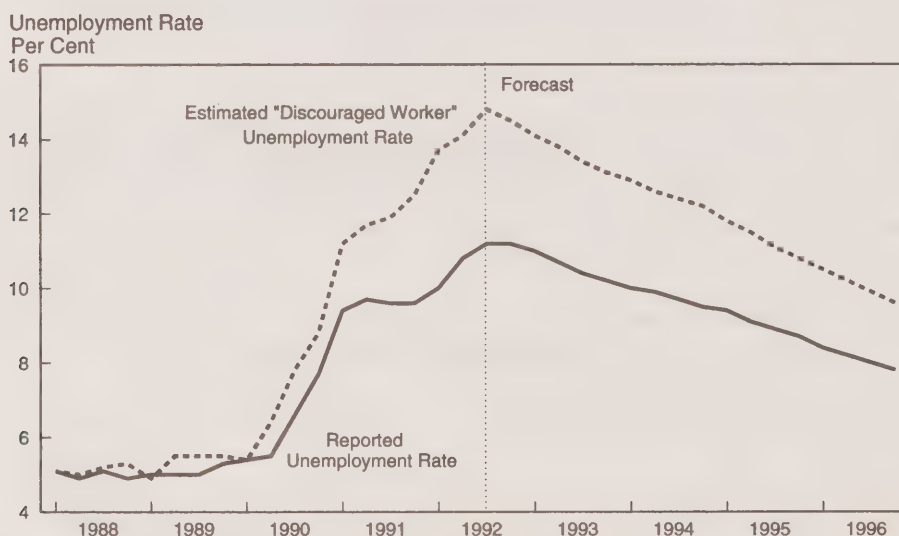
Economic Outlook

The forecast for average annual real growth of 3.5 per cent over the 1992 to 1996 period will keep output below full capacity, and the unemployment rate will decline slowly. Government policies to promote stronger growth and faster job creation are needed to close the output gap.

Unemployment Rate Will Remain High

Ontario has lost a record 320,000 jobs since early 1990. The province's unemployment rate has more than doubled since 1989 to reach 11.3 per cent in August 1992. In addition, the measured rate of unemployment understates the weakness of the labour market, as many thousands of Ontarians who have given up looking for employment are not therefore counted as "unemployed". If these people had not stopped looking for work, the unemployment rate would have been higher. The high level of unemployment demonstrates the need for active labour market policies.

Unemployment Rate, Ontario, 1988 - 1996



Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

As detailed in Chapter 2, the moderate recovery forecast for the Ontario economy over the next few years will lead to positive job creation and a decline in the unemployment rate. However, employment gains will be partially offset by an increase in the number of job seekers, which will slow the decline of the unemployment rate. A large number of former employees have given up looking for work, and are expected to return to the labour market once employment conditions improve. Also, new workers are constantly entering the labour market as the population grows.

Employment in Ontario is expected to fall by 1.1 per cent in 1992, and the unemployment rate will average 10.8 per cent. In 1993, employment is forecast to grow by

1992 Ontario Economic Outlook

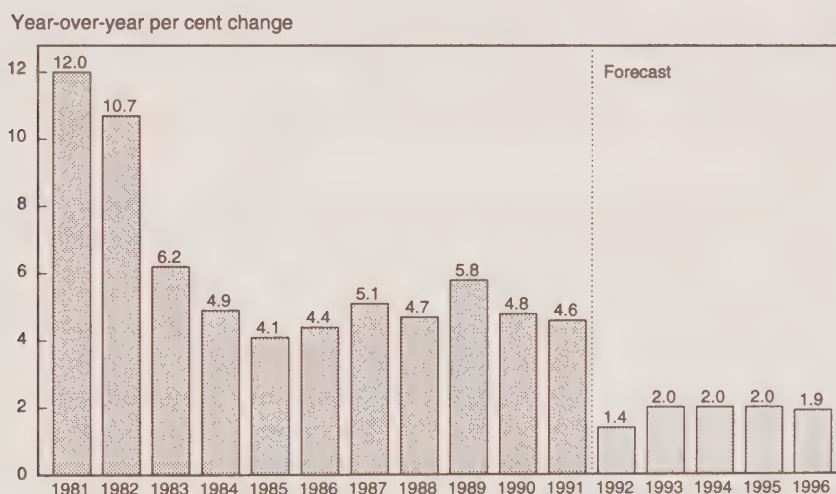
2.1 per cent, which will reduce the unemployment rate slightly to 10.6 per cent. Over 1994 to 1996, continued economic growth should lead to an average increase in employment of 3.0 per cent, or 146,000 per year, and the unemployment rate should decline to just under 8 per cent by 1996.

Although the reported unemployment rate is forecast to fall only gradually over the medium term, the real unemployment rate, which includes discouraged workers, is expected to fall more rapidly.

Inflation Remains Low

Between 1992 to 1996, Consumer Price Index (CPI) inflation in Ontario is expected to remain well below the level experienced during the 1980s. Consumer prices are expected to rise by 1.4 per cent in 1992 and 2.0 per cent in 1993. Over the medium term, CPI inflation is expected to average 2.0 per cent per year. The continuing slack in both the labour and output markets as well as the increase in global competition will restrain increases in production costs and prices. If the exchange rate is lower than expected, Ontario's CPI inflation will be higher than forecast.

CPI Inflation, Ontario, 1981 - 1996

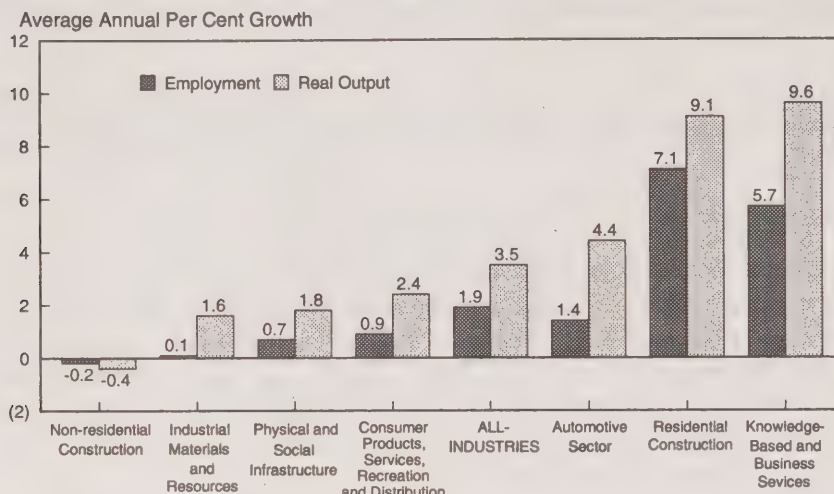


Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

Sectoral Composition Continues to Shift

The economic recovery is being led by traditional industries such as housing and auto exports to the United States. Much-improved manufacturing productivity will pave the way for recovery in many other industries, once higher domestic spending and exports allow business to fully utilize more efficient capacity. The resulting improvement in corporate profits should help stimulate additional investments by industry to upgrade productive capacity and ensure continued expansion.

Sectoral* Employment and Output Growth, Ontario, 1992 - 1996



* see notes to Table 31 of Data Appendix for definition of sectors
Source: Ontario Ministry of Treasury and Economics

As during the past economic expansion from 1983-1989, the Ontario economy is expected to continue to increase its orientation toward knowledge-based and business services industries. Intense structural and competitive pressures to upgrade technology and equipment will likely reinforce this trend, with this sector providing a major contribution to output and job growth.

This high value-added sector, together with the automotive sector, will also continue to enjoy productivity growth well above the economy as a whole over the medium term.

An acceleration in North American business spending on machinery and equipment to upgrade productive capabilities will underpin growth in the knowledge-based and business services sector. Emerging new industries, such as the environmental protection industry, will also create new opportunities for employment. Nevertheless, to keep up with foreign competitors and maintain market share and economic growth, most industries throughout Ontario will need to invest heavily in equipment, technology, skills and workplace re-organization to raise productivity and competitiveness.

Growth in the resource and industrial materials sector is expected to be slow, but profitability will improve as a result of higher prices, the lower Canadian dollar and low interest rates. Although overseas markets may provide some opportunities for expansion, continuing restructuring pressures and changing technologies will maintain pressure for industries to adapt and move toward higher value-added production across the entire economy.

Growth in consumer products and services industries will remain modest, reflecting some cyclical improvement in sales and partial success in restructuring industries to become more productive and export-market oriented. Productivity growth in this sector is expected to remain close to the economy-wide average. Further progress is needed to promote restructuring and innovation in the consumer sales and distribution network.

Summary

Ontario has come through its most severe recession since the 1930s. The downturn was deeper and lasted longer than most analysts had expected, but there are now convincing signs that recovery is taking hold. Growth will remain modest through the next few years. The province's growth rate will compare favourably with that of most industrialized countries.

There are three reasons for this optimism. Ontario has a number of key strategic advantages that will continue to attract investors, including a central location in North America, a well-trained and motivated labour force, good social programs, and superior physical infrastructure. Second, Ontario industries are restructuring at an accelerating rate, enriching our economic base with higher value-added products and jobs. New processes and technologies are being introduced, and firms are becoming more competitive in response to the increasingly competitive, global economy. The province benefits from having a core of sophisticated, internationally-oriented firms to lead the way. Third, the government has announced a comprehensive strategy for economic renewal, based on the principle of refocussing government activities and programs to provide increased support for positive structural change. Productivity and economic performance will improve as the new strategy is implemented, and as the government's economic partners respond to the new incentives and institutional arrangements being introduced.

Data Appendix

List of Tables

Table 1	The Ontario Economy, 1991-1996	55
Table 2	Ontario, Gross Domestic Product, 1981 - 1991	56
Table 3	Ontario, Growth in Gross Domestic Product, 1981 - 1991	57
Table 4	Canada, Gross Domestic Product, 1981 - 1991	58
Table 5	Canada, Growth in Gross Domestic Product, 1981 - 1991	59
Table 6	Ontario, Selected Economic Indicators, 1981 - 1991	60
Table 7	Ontario, Growth in Economic Indicators, 1981 - 1991	61
Table 8	Canada, Selected Economic Indicators, 1981 - 1991	62
Table 9	Canada, Growth in Economic Indicators, 1981 - 1991	63
Table 10	Ontario and the G-7, Growth in Real GDP, 1981 - 1991	64
Table 11	Ontario and the G-7, Employment Growth, 1981 - 1991	65
Table 12	Ontario and the G-7, Unemployment Rates, 1981 - 1991	66
Table 13	Ontario and the G-7, Inflation Rates, 1981 - 1991	67
Table 14	Ontario and Canada, International Merchandise Trade, 1981 - 1991	68
Table 15	Ontario Exports, Top 30 Commodities, 1991	69
Table 16	Ontario, International Trade by Major Region, 1991	70
Table 17	Canada, Trade by Major Region, 1991	71
Table 18	Canada, Selected Financial Indicators, 1981 - 1991	72
Table 19	G-7, Exchange Rates, 1981 - 1991	73
Table 20	Ontario, New Construction by Region, 1984 - 1991	74
Table 21	Ontario, Selected Demographic Characteristics, 1971 - 2011	76
Table 22	Ontario, Components of Population Growth, 1981/82 - 1991/92	77
Table 23	Ontario, Labour Force, 1981 - 1992	78
Table 24	Ontario, Employment, 1981 - 1992	79
Table 25	Ontario, Unemployment, 1981 - 1992	80
Table 26	Ontario, Unemployment Insurance and Social Assistance, 1981 - 1992	81
Table 27	Ontario, Major Layoffs, Strikes and Lockouts, 1981 - 1992	82
Table 28	Ontario, Labour Compensation, 1981 - 1992	83
Table 29	Ontario, Employment by Occupation, 1981 - 1991	84
Table 30	Ontario, Distribution of Employment by Occupation, 1981 - 1991	85
Table 31	Ontario, Employees by Sector, 1983 - 1991	86
Table 32	Ontario, Distribution of Employees by Sector, 1983 - 1991	87

1992 Ontario Economic Outlook

Table 1

The Ontario Economy, 1991-1996

	(per cent change)					
	1991	1992	1993	1994	1995	1996
Real Gross Domestic Product (\$1986)	-2.9	1.5	3.8	4.2	4.1	4.0
Consumption	-2.7	0.5	2.5	3.2	2.9	2.8
Government	3.3	2.3	0.4	0.4	0.4	0.0
Residential Construction	-14.2	7.6	14.3	10.4	8.8	5.1
Non-Residential Construction	-12.6	-13.1	-4.2	6.7	4.2	3.6
Machinery and Equipment	4.4	5.6	7.5	8.0	6.2	5.4
Exports	-3.6	5.4	5.7	5.2	5.0	5.0
Imports	0.4	4.6	5.2	4.7	3.6	3.0
 Nominal Gross Domestic Product	 -0.8	 2.0	 5.5	 5.8	 5.7	 5.6
 Other Economic Indicators						
Retail Sales*	-7.5	1.4	4.8	5.1	4.9	4.6
Housing Starts - Units (000's)	52.8	58.0	71.0	80.0	85.0	86.0
Personal Income	2.5	1.8	3.9	5.2	5.1	5.3
Pre-tax Corporate Profits	-28.6	7.4	38.8	27.7	11.0	6.0
 Consumer Price Index						
Canada	5.6	1.6	2.2	2.1	2.0	1.9
Ontario	4.6	1.4	2.0	2.0	2.0	1.9
 Labour Market						
Labour Force	0.2	0.2	1.8	1.9	1.9	2.1
Employment	-3.4	-1.1	2.1	2.9	2.9	3.0
Unemployment Rate (%)	9.6	10.8	10.6	9.8	8.8	7.9

* GST excluded.

Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

Data Appendix

Table 2 **Ontario, Gross Domestic Product, 1981 - 1991**

	(billions of dollars)					
	1981	1982	1983	1984	1985	1986
Real Gross Domestic Product (\$1986)	167.2	160.7	167.7	182.8	190.9	202.7
Consumption	95.6	93.3	96.9	102.2	108.4	114.7
Government	34.5	36.0	36.1	37.2	38.9	38.9
Residential Construction	8.9	7.6	9.5	10.3	11.5	13.2
Non-Residential Construction	6.6	6.2	5.6	6.5	7.3	8.3
Machinery and Equipment	10.6	9.1	9.7	10.3	12.2	15.3
Exports	77.6	74.8	79.5	95.4	101.2	106.5
Imports	67.1	61.4	68.9	82.5	90.8	95.8
Nominal Gross Domestic Product	131.8	137.3	151.9	171.5	183.6	202.7

Table 2 (continued)

	(billions of dollars)				
	1987	1988	1989	1990	1991
Real Gross Domestic Product (\$1986)	211.8	226.7	231.4	224.3	217.7
Consumption	120.6	126.6	130.4	130.0	126.5
Government	40.8	43.4	45.5	47.6	49.2
Residential Construction	15.1	15.9	17.2	14.0	12.0
Non-Residential Construction	9.3	10.2	11.0	9.9	8.7
Machinery and Equipment	17.3	20.0	20.8	19.0	19.8
Exports	106.2	114.5	115.5	117.9	113.6
Imports	100.1	106.7	112.3	111.5	112.0
Nominal Gross Domestic Product	223.9	253.0	272.4	272.5	270.4

Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

1992 Ontario Economic Outlook

Table 3 **Ontario, Growth in Gross Domestic Product, 1981 - 1991**

	(per cent change)					
	1981	1982	1983	1984	1985	1986
Real Gross Domestic Product	4.0	-3.9	4.3	9.0	4.4	6.2
Consumption	2.2	-2.4	3.9	5.4	6.0	5.8
Government	0.9	4.2	0.3	3.2	4.4	0.0
Residential Construction	9.3	-13.9	25.2	7.4	11.7	15.3
Non-Residential Construction	5.7	-7.0	-8.3	15.9	11.7	13.8
Machinery and Equipment	21.4	-13.9	6.0	6.1	19.2	25.1
Exports	2.9	-3.6	6.3	19.9	6.0	5.3
Imports	4.7	-8.5	12.2	19.8	9.9	5.6
Nominal Gross Domestic Product	14.6	4.2	10.7	12.9	7.0	10.4

Table 3 (continued)

	(per cent change)				
	1987	1988	1989	1990	1991
Real Gross Domestic Product	4.5	7.0	2.1	-3.1	-2.9
Consumption	5.2	4.9	3.0	-0.3	-2.7
Government	4.9	6.4	4.9	4.6	3.3
Residential Construction	14.4	4.9	8.7	-18.5	-14.2
Non-Residential Construction	11.8	10.0	7.6	-9.7	-12.6
Machinery and Equipment	13.0	16.0	3.8	-8.7	4.4
Exports	-0.2	7.8	0.8	2.1	-3.6
Imports	4.4	6.6	5.2	-0.6	0.4
Nominal Gross Domestic Product	10.4	13.0	7.7	0.0	-0.8

Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

Data Appendix

Table 4 **Canada, Gross Domestic Product, 1981 - 1991**

	(billions of dollars)					
	1981	1982	1983	1984	1985	1986
Real Gross Domestic Product (\$1986)	440.1	426.0	439.4	467.2	489.4	505.7
Consumption	257.1	250.3	258.9	270.9	284.9	297.5
Government	90.9	93.1	94.4	95.6	98.6	100.1
Residential Construction	25.2	21.0	24.6	24.8	27.2	30.8
Non-Residential Construction	31.5	28.7	26.3	25.8	27.1	25.6
Machinery and Equipment	29.4	25.3	24.2	25.6	28.7	32.6
Exports	101.9	99.6	106.0	124.8	132.2	138.1
Imports	105.3	89.3	97.4	114.1	123.9	133.4
Nominal Gross Domestic Product	356.0	374.4	405.7	444.7	478.0	505.7

Table 4 (continued)

	(billions of dollars)				
	1987	1988	1989	1990	1991
Real Gross Domestic Product (\$1986)	526.7	553.0	565.8	563.1	553.5
Consumption	310.5	324.3	334.8	337.9	332.3
Government	101.9	106.1	110.0	113.2	115.3
Residential Construction	35.8	36.9	38.4	34.9	30.8
Non-Residential Construction	26.4	29.3	30.7	30.9	29.6
Machinery and Equipment	37.5	44.6	47.9	45.2	45.4
Exports	142.9	156.5	158.0	164.5	165.3
Imports	142.7	162.4	172.7	176.0	180.0
Nominal Gross Domestic Product	551.6	605.9	649.9	667.8	674.4

Source: Statistics Canada

Table 5 **Canada, Growth in Gross Domestic Product, 1981 - 1991**

	(per cent change)					
	1981	1982	1983	1984	1985	1986
Real Gross Domestic Product	3.7	-3.2	3.2	6.3	4.8	3.3
Consumption	2.3	-2.6	3.4	4.6	5.2	4.4
Government	2.5	2.4	1.4	1.2	3.2	1.6
Residential Construction	6.6	-16.3	17.0	0.5	9.8	13.3
Non-Residential Construction	8.6	-9.0	-8.5	-1.8	5.2	-5.5
Machinery and Equipment	18.1	-14.0	-4.1	5.5	12.3	13.5
Exports	4.4	-2.2	6.4	17.7	6.0	4.5
Imports	8.5	-15.2	9.0	17.1	8.7	7.6
Nominal Gross Domestic Product	14.9	5.2	8.4	9.6	7.5	5.8

Table 5 (continued)

	(per cent change)				
	1987	1988	1989	1990	1991
Real Gross Domestic Product	4.2	5.0	2.3	-0.5	-1.7
Consumption	4.4	4.5	3.2	0.9	-1.7
Government	1.7	4.1	3.7	2.9	1.9
Residential Construction	16.4	2.8	4.2	-9.1	-11.8
Non-Residential Construction	3.0	11.0	4.8	0.5	-4.1
Machinery and Equipment	15.0	19.2	7.4	-5.6	0.5
Exports	3.5	9.5	0.9	4.1	0.5
Imports	7.0	13.8	6.4	1.9	2.2
Nominal Gross Domestic Product	9.1	9.8	7.3	2.8	1.0

Source: Statistics Canada

Data Appendix

Table 6 **Ontario, Selected Economic Indicators, 1981 - 1991**

	1981	1982	1983	1984	1985	1986
Retail Sales* (\$ billions)	36.8	38.8	43.1	47.6	53.7	58.6
Housing Starts - Units (000's)	50.2	38.5	54.9	48.2	64.9	81.5
Personal Income (\$ billions)	110.0	122.4	131.9	146.2	156.3	169.6
Pre-tax Corporate Profits (\$ billions)	14.2	8.9	13.6	17.7	19.1	21.3
Consumer Price Index	74.6	82.6	87.7	92.0	95.8	100.0
Labour Force (000's)	4,463	4,502	4,561	4,655	4,758	4,862
Employment (000's)	4,171	4,063	4,089	4,235	4,377	4,524
Unemployment Rate (%)	6.6	9.7	10.3	9.0	8.0	7.0

Table 6 (continued)

	1987	1988	1989	1990	1991
Retail Sales* (\$ billions)	64.7	69.8	72.6	72.6	67.2
Housing Starts - Units (000's)	105.2	99.9	93.3	62.6	52.8
Personal Income (\$ billions)	187.0	208.3	228.0	241.9	248.1
Pre-tax Corporate Profits (\$ billions)	25.0	30.7	28.2	19.9	14.2
Consumer Price Index	105.1	110.0	116.4	122.0	127.6
Labour Force (000's)	4,992	5,118	5,214	5,268	5,276
Employment (000's)	4,689	4,862	4,949	4,937	4,770
Unemployment Rate (%)	6.1	5.0	5.1	6.3	9.6

* Retail sales include Federal Sales Taxes up to 1990 but exclude GST from 1991.

Sources: Statistics Canada, Ontario Ministry of Treasury and Economics and CMHC

1992 Ontario Economic Outlook

Table 7 Ontario, Growth in Economic Indicators, 1981 - 1991

	(per cent change)					
	1981	1982	1983	1984	1985	1986
Retail Sales*	...	5.4	11.1	10.3	13.0	9.0
Housing Starts	25.0	-23.2	42.7	-12.3	34.7	25.6
Personal Income	16.5	11.3	7.8	10.8	6.9	8.5
Pre-tax Corporate Profits	0.5	-36.9	51.6	30.2	8.3	11.4
Consumer Price Index	12.0	10.7	6.2	4.9	4.1	4.4
Labour Force	2.6	0.9	1.3	2.1	2.2	2.2
Employment	2.9	-2.6	0.6	3.6	3.4	3.4
Unemployment Rate	...	...	...	...	...	...

Table 7 (continued)

	(per cent change)				
	1987	1988	1989	1990	1991
Retail Sales*	10.5	7.8	4.0	0.0	-7.5
Housing Starts	29.1	-5.0	-6.6	-32.9	-15.7
Personal Income	10.2	11.4	9.5	6.1	2.5
Pre-tax Corporate Profits	17.4	22.9	-8.2	-29.6	-28.6
Consumer Price Index	5.1	4.7	5.8	4.8	4.6
Labour Force	2.7	2.5	1.9	1.0	0.2
Employment	3.6	3.7	1.8	-0.2	-3.4
Unemployment Rate	...	...	...	...	...

* Retail sales include Federal Sales Taxes up to 1990 but exclude GST from 1991.

... Figures not appropriate or not applicable

Sources: Statistics Canada, Ontario Ministry of Treasury and Economics and CMHC

Data Appendix

Table 8 **Canada, Selected Economic Indicators, 1981 - 1991**

	1981	1982	1983	1984	1985	1986
Retail Sales* (\$ billions)	103.4	107.1	116.6	127.4	142.2	153.8
Housing Starts - Units (000's)	178.0	125.9	162.6	134.9	165.8	199.8
Personal Income (\$ billions)	293.2	324.8	343.1	372.2	400.2	427.3
Pre-tax Corporate Profits (\$ billions)	37.7	26.8	37.1	45.9	49.5	45.4
Consumer Price Index	75.5	83.7	88.5	92.4	96.0	100.0
Labour Force (000's)	11,899	11,926	12,109	12,316	12,532	12,746
Employment (000's)	11,001	10,618	10,675	10,932	11,221	11,531
Unemployment Rate (%)	7.5	11.0	11.8	11.2	10.5	9.5

Table 8 (continued)

	1987	1988	1989	1990	1991
Retail Sales* (\$ billions)	168.9	181.7	189.3	192.6	181.2
Housing Starts - Units (000's)	246.0	222.6	215.4	181.6	156.2
Personal Income (\$ billions)	461.2	506.0	549.2	589.6	607.4
Pre-tax Corporate Profits (\$ billions)	56.6	64.7	60.4	45.5	31.8
Consumer Price Index	104.4	108.6	114.0	119.5	126.2
Labour Force (000's)	13,011	13,275	13,503	13,681	13,757
Employment (000's)	11,861	12,245	12,486	12,572	12,340
Unemployment Rate (%)	8.8	7.8	7.5	8.1	10.3

* Retail sales include Federal Sales Taxes up to 1990 but exclude GST from 1991.

Sources: Statistics Canada, Ontario Ministry of Treasury and Economics and CMHC

1992 Ontario Economic Outlook

Table 9 **Canada, Growth in Economic Indicators, 1981 - 1991**

	(per cent change)					
	1981	1982	1983	1984	1985	1986
Retail Sales*	...	3.5	8.9	9.3	11.6	8.1
Housing Starts	12.2	-29.3	29.2	-17.1	22.9	20.5
Personal Income	17.8	10.8	5.6	8.5	7.5	6.8
Pre-tax Corporate Profits	-5.4	-28.7	38.1	23.7	7.9	-8.4
Consumer Price Index	12.4	10.9	5.7	4.4	3.9	4.2
Labour Force	2.8	0.2	1.5	1.7	1.8	1.7
Employment	2.7	-3.5	0.5	2.4	2.6	2.8
Unemployment Rate	...	...	...	...	...	...

Table 9 (continued)

	(per cent change)				
	1987	1988	1989	1990	1991
Retail Sales*	9.8	7.6	4.2	1.7	-5.9
Housing Starts	23.1	-9.5	-3.2	-15.7	-14.0
Personal Income	7.9	9.7	8.5	7.3	3.0
Pre-tax Corporate Profits	24.7	14.3	-6.6	-24.6	-30.2
Consumer Price Index	4.4	4.0	5.0	4.8	5.6
Labour Force	2.1	2.0	1.7	1.3	0.6
Employment	2.9	3.2	2.0	0.7	-1.8
Unemployment Rate	...	...	...	...	...

* Retail sales include Federal Sales Taxes up to 1990 but exclude GST from 1991.

... Figures not appropriate or not applicable

Sources: Statistics Canada, Ontario Ministry of Treasury and Economics and CMHC

Data Appendix

Table 10 **Ontario and the G-7, Growth in Real GDP, 1981 - 1991**

	(per cent change)					
	1981	1982	1983	1984	1985	1986
Ontario	4.0	-3.9	4.3	9.0	4.4	6.2
Canada	3.7	-3.2	3.2	6.3	4.8	3.3
France	1.2	2.5	0.7	1.3	1.9	2.5
Germany	0.2	-0.9	1.6	2.8	1.9	2.2
Italy	0.6	0.2	1.0	2.7	2.6	2.9
Japan	3.6	3.2	2.7	4.3	5.0	2.6
United Kingdom	-1.3	1.7	3.7	2.2	3.6	3.9
United States	1.8	-2.2	3.9	6.2	3.2	2.9

Table 10 (continued)

	(per cent change)				
	1987	1988	1989	1990	1991
Ontario	4.5	7.0	2.1	-3.1	-2.9
Canada	4.2	5.0	2.3	-0.5	-1.7
France	2.3	4.2	3.9	2.8	1.3
Germany	1.4	3.7	3.2	4.7	3.1
Italy	3.1	4.1	3.0	2.0	1.4
Japan	4.1	6.2	4.7	5.2	4.5
United Kingdom	4.8	4.2	2.3	0.8	-2.2
United States	3.1	3.9	2.5	0.8	-1.2

Sources: Statistics Canada, Ontario Ministry of Treasury and Economics, OECD, and U.S. Dept. of Commerce

Table 11 **Ontario and the G-7, Employment Growth, 1981 - 1991**

	(per cent change)					
	1981	1982	1983	1984	1985	1986
Ontario	2.9	-2.6	0.6	3.6	3.4	3.4
Canada	2.7	-3.5	0.5	2.4	2.6	2.8
France	-0.3	0.0	-0.3	-1.0	-0.3	0.2
Germany	0.3	-0.6	-1.2	-0.2	0.8	1.4
Italy	0.2	-0.3	0.2	0.4	0.4	0.5
Japan	0.8	1.0	1.7	0.6	0.7	0.8
United Kingdom	-3.4	-1.9	-0.2	2.2	1.1	0.3
United States	1.1	-0.9	1.3	4.1	2.0	2.3

Table 11 (continued)

	(per cent change)				
	1987	1988	1989	1990	1991
Ontario	3.6	3.7	1.8	-0.2	-3.4
Canada	2.9	3.2	2.0	0.7	-1.8
France	0.2	0.8	1.0	1.0	0.4
Germany	0.7	0.8	1.3	2.6	1.5
Italy	-0.2	1.1	0.1	1.9	0.9
Japan	1.0	1.7	1.9	2.0	1.9
United Kingdom	2.3	3.4	2.6	0.3	-2.8
United States	2.6	2.3	2.0	0.5	-0.9

Sources: Statistics Canada and OECD

Data Appendix

Table 12 **Ontario and the G-7, Unemployment Rates, 1981 - 1991**

	(per cent)					
	1981	1982	1983	1984	1985	1986
Ontario	6.6	9.7	10.3	9.0	8.0	7.0
Canada	7.5	11.0	11.8	11.2	10.5	9.5
France	7.5	8.2	8.4	9.8	10.2	10.4
Germany	3.4	5.0	6.6	7.1	7.1	6.4
Italy	8.5	9.2	10.0	10.1	10.2	11.2
Japan	2.2	2.3	2.7	2.7	2.6	2.8
United Kingdom	9.1	10.4	11.2	11.4	11.6	11.8
United States	7.6	9.7	9.6	7.5	7.2	7.0

Table 12 (continued)

	(per cent)				
	1987	1988	1989	1990	1991
Ontario	6.1	5.0	5.1	6.3	9.6
Canada	8.8	7.8	7.5	8.1	10.3
France	10.5	10.0	9.4	8.9	9.4
Germany	6.2	6.2	5.6	4.9	4.3
Italy	12.1	12.2	12.1	11.1	11.0
Japan	2.9	2.5	2.3	2.1	2.1
United Kingdom	10.4	8.2	6.2	5.9	8.3
United States	6.2	5.5	5.3	5.5	6.7

Sources: Statistics Canada and OECD

1992 Ontario Economic Outlook

Table 13

Ontario and the G-7, Inflation Rates, 1981 - 1991

	(per cent)					
	1981	1982	1983	1984	1985	1986
Ontario	12.0	10.7	6.2	4.9	4.1	4.4
Canada	12.4	10.9	5.7	4.4	3.9	4.2
France	13.4	11.8	9.6	7.4	5.8	2.7
Germany	6.4	5.2	3.2	2.4	2.2	-0.1
Italy	17.9	16.5	14.7	10.8	9.2	5.8
Japan	4.9	2.6	1.8	2.3	2.0	0.4
United Kingdom	11.9	8.6	4.5	5.0	6.0	3.4
United States	10.3	6.2	3.2	4.3	3.5	1.9

Table 13 (continued)

	(per cent)				
	1987	1988	1989	1990	1991
Ontario	5.1	4.7	5.8	4.8	4.6
Canada	4.4	4.0	5.0	4.8	5.6
France	3.1	2.6	3.7	3.4	3.2
Germany	0.2	1.3	2.8	2.7	3.5
Italy	4.8	5.0	6.3	6.5	6.3
Japan	-0.2	0.5	2.3	3.1	3.3
United Kingdom	4.2	4.9	7.8	9.5	5.8
United States	3.6	4.1	4.8	5.5	4.2

Sources: Statistics Canada and OECD

Data Appendix

Table 14 Ontario and Canada, International Merchandise Trade, 1981 - 1991

		(millions of dollars)					
		1981	1982	1983	1984	1985	1986
Ontario							
Exports		34,042	36,842	41,706	55,202	59,382	62,593
% Change		15.4	8.2	13.2	32.4	7.6	5.4
Imports		42,960	39,071	45,584	59,576	65,895	72,154
% Change		13.8	-9.1	16.7	30.7	10.6	9.5
Trade Balance		-8,918	-2,229	-3,878	-4,374	-6,513	-9,561
Canada							
Exports		83,698	84,403	90,964	112,495	119,241	120,495
% Change		10.2	0.8	7.8	23.7	6.0	1.1
Imports		78,876	67,630	75,586	95,842	104,914	112,678
% Change		14.3	-14.3	11.8	26.8	9.5	7.4
Trade Balance		4,822	16,773	15,378	16,653	14,327	7,817

Table 14 (continued)

		(millions of dollars)				
		1987	1988	1989	1990	1991
Ontario						
Exports		61,044	67,376	67,425	74,414	70,745
% Change		-2.5	10.4	0.1	10.4	-4.9
Imports		73,724	82,916	82,032	79,103	79,183
% Change		2.2	12.5	-1.1	-3.6	0.1
Trade Balance		-12,680	-15,540	-14,607	-4,689	-8,438
Canada						
Exports		125,087	137,695	137,284	148,170	145,281
% Change		3.8	10.1	-0.3	7.9	-2.0
Imports		116,239	131,664	134,904	135,922	135,283
% Change		3.2	13.3	2.5	0.8	-0.5
Trade Balance		8,848	6,031	2,380	12,248	9,998

Sources: Statistics Canada and Ontario Ministry of Industry, Trade and Technology

1992 Ontario Economic Outlook

Table 15

Ontario Exports, Top 30 Commodities, 1991

	Value (\$millions)	Per cent of total
Motor Car/Vehicles for Transport of People	15,822	22.4
Motor Vehicles for Transport of Goods	6,940	9.8
Motor Vehicle Parts and Accessories	5,793	8.2
Gold (Unwrought/Semi-Manufactured/Powder)	1,815	2.6
Parts and Accessories for Office Machinery and Computers	1,777	2.5
Newsprint in Rolls or Sheets	1,392	2.0
Aircraft and Spacecraft Parts	1,097	1.6
Internal Combustion Piston Engines	1,015	1.4
Automatic Data Processing Machines	905	1.3
Electrical Apparatus for Line Telephony/Telegraphy	722	1.0
Products of Nickel Metallurgy	674	1.0
Seats (Other than Medical or Barbers')	651	0.9
Powered Aircraft, Spacecraft and Launch Vehicles	625	0.9
Flat-Rolled Iron/Non-Alloy Steel of Width 600mm+	623	0.9
Petroleum Oils (Bituminous)	619	0.9
Wood Sawn/Chipped Lengthwise, Exceeding 6mm	602	0.9
Chemical Wood Pulp, Soda or Sulphate	571	0.8
Nickel (Unwrought)	508	0.7
Engine Parts	502	0.7
Refined Copper and Copper Alloys (Unwrought)	413	0.6
Turbo-Jets, Turbo-Propellers and Other Gas Turbines	391	0.6
Uncoated Paper and Paperboard	379	0.5
Public-Transport Type Passenger Motor Vehicles	357	0.5
New Pneumatic Tires, Rubber	348	0.5
Rail Locomotives (Diesel-Electric); Locomotive Tenders	344	0.5
Furniture and Furniture Parts	343	0.5
Cyclic Hydrocarbons	336	0.5
Undenatured Ethyl Alcohol by Volume Less Than 80% Alcohol; Spirits, Liqueurs, Other Spirituous Beverages	312	0.4
Radioactive Chemical Elements and Isotopes	297	0.4
Moulding Boxes for Metal Foundry	296	0.4
Top 30 Commodities	46,470	65.7
Total Exports	70,745	100.0

Sources: Statistics Canada and Ontario Ministry of Industry, Trade and Technology

Note: Commodities are 4-digit H.S. Codes.

Data Appendix

Table 16 **Ontario, International Trade by Major Region, 1991**

	Exports (\$millions)	Per cent of total	Imports (\$millions)	Per cent of total
United States	62,230	88.0	59,517	75.2
Western Europe	4,424	6.3	6,389	8.1
EEC	3,350	4.7	5,501	6.9
Other W. Europe	1,074	1.5	887	1.1
Eastern Europe	127	0.2	207	0.3
Asia	2,672	3.8	8,951	11.3
Pacific Rim	2,556	3.6	8,783	11.1
Other Asia	117	0.2	168	0.2
Latin America and Caribbean	874	1.2	3,017	3.8
Mexico	251	0.4	2,104	2.7
Middle East	250	0.4	134	0.2
Africa	168	0.2	158	0.2
Statistical Discrepancy	0	0.0	811	1.0
Total	70,745	100.0	79,183	100.0

Sources: Statistics Canada and Ontario Ministry of Industry, Trade and Technology

Note: Figures may not add to totals due to rounding.

1992 Ontario Economic Outlook

Table 17

Canada, Trade by Major Region, 1991

	Exports (\$millions)	Per cent of total	Imports (\$millions)	Per cent of total
United States	109,473	75.4	86,235	63.7
Western Europe	13,484	9.3	18,212	13.5
EEC	11,742	8.1	14,717	10.9
Other W. Europe	1,742	1.2	3,495	2.6
Eastern Europe	1,645	1.1	505	0.4
Asia	15,696	10.8	20,759	15.3
Pacific Rim	15,178	10.4	20,261	15.0
Other Asia	518	0.4	498	0.4
Latin America and Caribbean	2,629	1.8	5,204	3.8
Mexico	543	0.4	2,579	1.9
Middle East	1,497	1.0	907	0.7
Africa	859	0.6	1,074	0.8
Statistical Discrepancy	0	0.0	2,387	1.8
Total	145,281	100.0	135,283	100.0

Sources: Statistics Canada and Ontario Ministry of Industry, Trade and Technology

Note: Figures may not add to totals due to rounding.

Data Appendix

Table 18 **Canada, Selected Financial Indicators, 1981 - 1991**

	(per cent)					
	1981	1982	1983	1984	1985	1986
Interest Rates						
Bank Rate	17.9	14.0	9.6	11.3	9.7	9.2
Prime Rate	19.3	15.8	11.2	12.1	10.6	10.5
10-Year Government Bonds	15.2	14.3	11.8	12.8	11.0	9.5
Three-month T-Bills	17.8	13.8	9.3	11.1	9.5	9.0
Mortgage Rates						
5 Year Rate	18.4	18.0	13.2	13.6	12.1	11.2
1 Year Rate	18.1	16.9	11.0	12.0	10.3	10.2
Household Debt Burden*						
Consumer	19.6	17.7	16.8	16.3	16.9	18.1
Mortgage	37.7	34.5	34.4	34.4	34.5	37.2
Total	57.3	52.2	51.2	50.7	51.4	55.3

Table 18 (continued)

	(per cent)				
	1987	1988	1989	1990	1991
Interest Rates					
Bank Rate	8.4	9.7	12.3	13.1	9.0
Prime Rate	9.5	10.8	13.3	14.1	9.9
10-Year Government Bonds	10.0	10.2	9.9	10.9	9.8
Three-month T-Bills	8.2	9.4	12.0	12.8	8.8
Mortgage Rates					
5 Year Rate	11.2	11.7	12.1	13.4	11.1
1 Year Rate	9.9	10.8	12.9	13.4	10.1
Household Debt Burden*					
Consumer	19.0	20.1	20.5	21.3	21.3
Mortgage	41.0	44.1	46.9	50.9	54.0
Total	60.0	64.2	67.4	72.2	75.3

* Debt as a share of disposable income.

Sources: Statistics Canada and Bank of Canada

Note: all data are annual averages.

1992 Ontario Economic Outlook

Table 19

G-7, Exchange Rates, 1981 - 1991

(Foreign currency per Canadian dollar)

	1981	1982	1983	1984	1985	1986
France	4.5188	5.3066	6.1656	6.7328	6.5373	4.9806
Germany	1.8824	1.9667	2.0690	2.1923	2.1420	1.5587
Italy	944.40	1094.76	1229.45	1353.18	1394.96	1070.55
Japan	183.75	201.67	192.75	183.27	173.94	120.86
United Kingdom	0.4120	0.4639	0.5357	0.5784	0.5659	0.4910
United States	0.8340	0.8110	0.8117	0.7722	0.7321	0.7199

Table 19 (continued)

(Foreign currency per Canadian dollar)

	1987	1988	1989	1990	1991
France	4.5309	4.8310	5.3885	4.6572	4.9206
Germany	1.3552	1.4249	1.5878	1.3822	1.4468
Italy	978.08	1055.80	1158.44	1025.40	1082.24
Japan	109.01	104.10	116.39	123.80	117.35
United Kingdom	0.4608	0.4565	0.5160	0.4799	0.4948
United States	0.7541	0.8123	0.8446	0.8569	0.8726

Sources: OECD

Note: all data are annual averages.

Data Appendix

Table 20 **Ontario, New Construction by Region, 1984 - 1991**

	1984	1985	1986	1987
Total Construction (\$millions)	6,274	8,393	11,359	14,834
% change	17.3	33.8	35.4	30.6
Regional Shares (%)				
Eastern	19.1	15.5	11.4	12.2
Central	68.2	72.4	76.6	75.0
Southwestern	8.1	8.3	8.4	8.8
Northeastern	3.1	2.5	2.4	2.8
Northwestern	1.6	1.3	1.2	1.3
Residential (\$millions)	3,361	4,886	6,649	9,378
% change	3.4	45.4	36.1	41.0
Regional shares (%)				
Eastern	20.3	16.9	12.2	12.2
Central	67.9	70.8	75.6	75.6
Southwestern	7.0	8.4	8.6	8.5
Northeastern	3.0	2.6	2.4	2.6
Northwestern	1.7	1.3	1.2	1.1
Non-Residential (\$millions)	2,914	3,506	4,711	5,456
% change	38.8	20.3	34.3	15.8
Regional shares (%)				
Eastern	17.6	13.4	10.1	12.1
Central	68.4	74.7	78.0	73.9
Southwestern	9.4	8.1	8.2	9.3
Northeastern	3.1	2.4	2.6	3.1
Northwestern	1.4	1.4	1.1	1.6

Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

1992 Ontario Economic Outlook

Table 20 (continued)

	1988	1989	1990	1991
Total Construction (\$millions)	17,281	20,031	14,062	11,964
% change	16.5	15.9	-29.8	-14.9
Regional shares (%)				
Eastern	11.7	12.4	12.9	13.5
Central	74.5	74.2	70.8	68.0
Southwestern	9.9	8.6	10.7	11.7
Northeastern	2.9	3.5	4.3	5.3
Northwestern	1.0	1.3	1.3	1.6
Residential (\$millions)	10,565	11,195	7,445	6,990
% change	12.7	6.0	-33.5	-6.1
Regional shares (%)				
Eastern	11.7	10.8	14.5	12.7
Central	74.9	75.1	68.1	70.8
Southwestern	9.6	10.1	11.4	10.1
Northeastern	2.8	3.1	4.5	5.0
Northwestern	1.1	0.9	1.4	1.3
Non-Residential (\$millions)	6,716	8,836	6,617	4,974
% change	23.1	31.6	-25.1	-24.8
Regional shares (%)				
Eastern	11.8	14.5	11.0	14.6
Central	73.9	73.0	73.9	63.9
Southwestern	10.5	6.8	9.8	13.9
Northeastern	3.0	4.0	4.1	5.7
Northwestern	0.9	1.7	1.2	1.9

Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

Data Appendix

Table 21 **Ontario, Selected Demographic Characteristics, 1971 - 2011**

	Actual			Projections	
	1971	1981	1991	2001	2011
Total Population (000's)	7,703	8,625	10,085	11,452	12,657
Average Annual Growth					
Over Preceding Decade (%)	2.1	1.1	1.6	1.3	1.0
Median Age (Years)	27.2	30.6	33.6	37.0	40.0
Age Group Shares (%)					
0-14	28.7	21.9	20.4	19.4	16.9
15-24	18.0	18.5	14.1	12.8	13.0
25-44	25.8	29.3	33.9	31.3	27.3
45-64	19.1	20.2	19.9	23.4	27.8
65-74	5.2	6.2	7.1	7.2	8.0
75+	3.2	3.9	4.6	5.9	7.0
Total Fertility Rate	2.2	1.6	1.8*	1.7	1.7
Life Expectancy (Years)					
Male	69.6	72.3	74.3*	76.3	78.1
Female	76.8	79.0	79.8*	82.2	84.3
Families (000's)	1,877	2,279	2,727	3,183	3,530
Households (000's)	2,225	2,970	3,638	4,290	4,862

* Preliminary

Sources: Statistics Canada and population projections of Ontario Ministry of Treasury and Economics

Notes: 1. 1991 Census data are not directly comparable with earlier censuses or projected data due to a change in definition of the population universe. Persons in Canada on student authorizations, employment authorizations, Minister's permits, and as refugee claimants were enumerated in the 1991 Census but not in previous censuses. These persons are referred to as non-permanent residents.

2. The 1991 Census excludes data for incompletely enumerated Indian reserves and settlements.

1992 Ontario Economic Outlook

Table 22 **Ontario, Components of Population Growth, 1981/82 - 1991/92**

	(thousands)					
	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87
Population at Beginning of Period	8,624.7	8,702.5	8,798.0	8,901.7	9,006.4	9,113.0
Births	123.0	126.5	127.9	131.9	133.3	134.3
Deaths	62.9	64.5	64.3	66.3	67.2	67.2
Immigrants	57.9	46.8	39.3	40.6	42.6	66.5
Emigrants	21.2	23.4	22.3	21.9	22.4	24.8
Interprovincial Arrivals	83.6	86.8	89.0	86.7	89.4	101.5
Interprovincial Departures	89.3	63.3	52.6	52.8	55.8	58.3
Population Growth During Period	77.8	95.5	103.7	104.7	106.6	152.0
Population at End of Period	8,702.5	8,798.0	8,901.7	9,006.4	9,113.0	9,265.0
 Population Growth (%)	 0.9	 1.1	 1.2	 1.2	 1.2	 1.7

Table 22 (continued)

	(thousands)				
	1987/88	1988/89	1989/90	1990/91*	1991/92
Population at Beginning of Period	9,265.0	9,431.1	9,589.6	9,749.6	10,084.9
Births	135.3	140.4	149.5	149.7	153.8
Deaths	70.2	69.7	71.1	71.0	72.9
Immigrants	85.4	96.3	106.9	114.9	124.0
Emigrants	19.7	18.2	19.3	19.1	18.4
Interprovincial Arrivals	102.8	89.2	86.4	91.7	84.5
Interprovincial Departures	67.5	79.5	92.4	101.6	87.2
Population Growth During Period	166.1	158.5	160.0	335.3	13.1
Population at End of Period	9,431.1	9,589.6	9,749.6	10,084.9	10,098.0
 Population Growth (%)	 1.8	 1.7	 1.7	 3.4	 0.1

* The 1991 Census population is not directly comparable to earlier or later years due to a change in definition of the population universe. Persons in Canada on student authorizations, employment authorizations, Minister's permits, and as refugee claimants were enumerated in the 1991 Census but not in previous censuses. These persons are referred to as non-permanent residents.

Source: Statistics Canada

- Notes:
1. Data are for census years from June 1 to May 31.
 2. The 1991 Census population excludes data for incompletely enumerated Indian reserves and settlements.
 3. Due to adjustments to the total population, the sum of the components may not equal the annual growth in total population.

Data Appendix

Table 23	Ontario, Labour Force, 1981 - 1992					
	1981	1982	1983	1984	1985	1986
Labour Force (000's)	4,463	4,502	4,561	4,655	4,758	4,862
Annual Labour Force Growth (%)	2.6	0.9	1.3	2.1	2.2	2.2
Participation Rate (%)						
Male	80.4	79.3	78.6	78.5	78.7	78.9
Female	55.5	55.9	56.5	57.4	58.1	58.6
Share of Labour Force (%)						
Youth (15-24)	24.9	24.0	23.5	23.1	22.5	22.0
Older Worker (45+)	28.4	28.3	27.8	27.4	27.6	26.8

Table 23 (continued)	1987	1988	1989	1990	1991	1992*
Labour Force (000's)	4,992	5,118	5,214	5,268	5,276	5,293
Annual Labour Force Growth (%)	2.7	2.5	1.9	1.0	0.2	-0.1
Participation Rate (%)						
Male	78.9	78.7	78.8	77.8	76.3	75.5
Female	59.7	61.0	61.2	61.4	60.8	60.1
Share of Labour Force (%)						
Youth (15-24)	21.6	20.6	20.0	19.1	18.2	18.1
Older Worker (45+)	26.9	27.0	26.9	27.2	27.3	27.9

* Preliminary

Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

Note: 1992 data are for the first eight months.

1992 Ontario Economic Outlook

Table 24

Ontario, Employment, 1981 - 1992

	1981	1982	1983	1984	1985	1986
Total Employment (000's)	4,171	4,063	4,089	4,235	4,377	4,524
Male	2,427	2,329	2,322	2,396	2,465	2,541
Female	1,744	1,735	1,767	1,839	1,912	1,983
Annual Employment Growth (%)	2.9	-2.6	0.6	3.6	3.4	3.4
Net Job Creation (000's)	118	-108	26	146	142	147
Manufacturing Employment (% of total)	24.8	23.4	22.8	23.2	22.8	22.4
Services Employment (% of total)	65.1	67.2	67.8	67.6	67.9	68.3
Part-Time (% of total)	14.5	15.3	16.0	15.7	15.7	15.5
Average Hours Worked Per Week	37.2	37.0	37.4	37.6	37.3	37.7

Table 24 (continued)

	1987	1988	1989	1990	1991	1992*
Total Employment (000's)	4,689	4,862	4,949	4,937	4,770	4,712
Male	2,621	2,688	2,730	2,693	2,576	2,526
Female	2,067	2,174	2,219	2,244	2,193	2,186
Annual Employment Growth (%)	3.6	3.7	1.8	-0.2	-3.4	-1.3
Net Job Creation (000's)	165	173	87	-12	-167	-62
Manufacturing Employment (% of total)	22.0	21.1	20.8	19.6	18.7	17.7
Services Employment (% of total)	68.4	69.4	69.1	70.6	72.2	73.8
Part-Time (% of total)	15.2	15.6	15.5	15.8	16.9	17.2
Average Hours Worked Per Week	37.7	38.2	38.6	38.1	37.3	36.9

* Preliminary

Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

Note: 1992 data are for the first eight months.

Data Appendix

Table 25	Ontario, Unemployment, 1981 - 1992					
	1981	1982	1983	1984	1985	1986
Total Unemployment (000's)	292	439	472	420	381	338
Unemployment Rate (%)	6.6	9.7	10.3	9.0	8.0	7.0
Male	6.0	9.7	10.4	8.7	7.6	6.6
Female	7.4	9.8	10.3	9.5	8.5	7.4
Toronto CMA	4.9	8.1	9.0	7.8	6.7	5.5
Northern Ontario	7.9	13.6	13.5	13.4	10.5	11.0
Youth (15-24)	12.3	17.2	17.8	14.9	13.1	11.5
Older Worker (45+)	3.7	6.2	6.6	6.1	5.5	4.6
Unemployment (% of total)						
Long-Term (27 weeks+)	14.0	16.4	25.8	22.4	19.7	18.0
Youth (15-24) Share	46.9	42.4	40.5	38.1	36.7	36.7
Older Worker (45+) Share	16.1	18.0	17.8	18.6	18.9	17.8
Average Duration (weeks)						
Youth (15-24)	12.0	13.5	17.1	14.2	12.5	12.3
Older Worker (45+)	18.6	18.5	25.4	25.4	23.7	23.5

Table 25 (continued)	1987	1988	1989	1990	1991	1992*
Total Unemployment (000's)	304	256	264	331	506	581
Unemployment Rate (%)	6.1	5.0	5.1	6.3	9.6	11.0
Male	5.4	4.5	4.7	6.3	10.1	12.2
Female	6.9	5.6	5.5	6.3	9.0	9.5
Toronto CMA	4.5	3.7	4.0	5.3	9.8	11.3
Northern Ontario	9.7	7.8	7.4	8.2	11.2	12.6
Youth (15-24)	9.8	8.2	8.0	10.5	15.4	18.8
Older Worker (45+)	4.5	3.5	3.3	4.1	6.9	7.4
Unemployment (% of total)						
Long-Term (27 weeks+)	16.4	12.9	13.3	13.9	22.7	28.9
Youth (15-24) Share	34.5	34.0	31.8	32.0	29.2	30.9
Older Worker (45+) Share	19.7	18.8	17.8	17.5	19.6	18.8
Average Duration (weeks)						
Youth (15-24)	10.7	8.7	8.6	10.2	13.6	17.0
Older Worker (45+)	22.1	19.9	19.3	18.9	22.7	28.5

* Preliminary

Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

Notes: 1. For 1992, data are for the first eight months.

2. The unemployment rate for Toronto CMA and Northern Ontario was calculated using different regional definitions beginning in 1984.

1992 Ontario Economic Outlook

Table 26 Ontario, Unemployment Insurance and Social Assistance, 1981 - 1992

	1981	1982	1983	1984	1985	1986
UI Regular Beneficiaries (000's)	141	259	285	241	224	194
Maximum Weekly Insurable Earnings (\$)	315	350	385	425	460	495
Maximum Weekly Entitlement (\$)	189	210	231	255	276	297
Premium Rate						
Employer (\$/\$100 Insurable Earnings)	2.52	2.31	3.22	3.22	3.29	3.29
Employee (\$/\$100 Insurable Earnings)	1.80	1.65	2.30	2.30	2.35	2.35
Benefits Paid to Ontario (\$ millions)	1,258	2,381	2,859	2,517	2,551	2,483
Premiums Paid from Ontario (\$ millions)	1,862	1,816	2,799	3,158	3,574	3,946
Social Assistance Caseload (000's)	197	218	247	257	261	268

Table 26 (continued)

	1987	1988	1989	1990	1991	1992*
UI Regular Beneficiaries (000's)	166	169	163	222	319	340
Maximum Weekly Insurable Earnings (\$)	530	565	605	640	680	710
Maximum Weekly Entitlement (\$)	318	339	363	384	408	426
Premium Rate						
Employer (\$/\$100 Insurable Earnings)	3.29	3.29	2.73	3.15	3.92	4.20
Employee (\$/\$100 Insurable Earnings)	2.35	2.35	1.95	2.25	2.80	3.00
Benefits Paid to Ontario (\$ millions)	2,387	2,370	2,470	3,419	5,362	3,120
Premiums Paid from Ontario (\$ millions)	4,379	4,804	4,346	5,281	5,890*	..
Social Assistance Caseload (000's)	279	289	306	365	497	602

* Preliminary

.. Not available

Sources: Statistics Canada and Ontario Ministry of Community and Social Services

Note: Unemployment Benefits Paid to Ontario is cumulative. For 1992, U.I. Regular Beneficiaries and Benefits Paid to Ontario refer to the first six months.

Data Appendix

Table 27 **Ontario, Major Layoffs, Strikes and Lockouts, 1981 - 1992**

	1981	1982	1983	1984	1985	1986
Major Layoffs (no. of establishments)	130	235	120	122	116	92
Workers Affected by Major Layoffs (no.)	19,724	46,047	17,213	14,824	13,902	13,503
Share of Workers Laid Off Due to Closure (%)	35.0	24.2	38.5	53.1	55.5	60.2
Person Days Lost Due to Strikes and Lockouts (000's)	2,259	2,207	760	1,414	1,232	941

Table 27 (continued)

	1987	1988	1989	1990	1991	1992*
Major Layoffs (no. of establishments)	93	97	139	202	221	152
Workers Affected by Major Layoffs (no.)	13,925	13,266	17,526	31,787	25,957	19,819
Share of Workers Laid Off Due to Closure (%)	72.6	69.8	72.4	64.7	61.3	65.7
Person Days Lost Due to Strikes and Lockouts (000's)	1,109	1,362	869	2,958	454	342

* Preliminary

Sources: Ontario Ministry of Labour and Ontario Ministry of Treasury and Economics

- Notes:
1. For 1992, data are for the first eight months except Person Days Lost Due to Strikes and Lockouts which is for the first seven months.
 2. Major Layoffs are those affecting at least 50 employees.
 3. Major Layoffs and Strikes and Lockouts are cumulative data.

1992 Ontario Economic Outlook

Table 28

Ontario, Labour Compensation, 1981 - 1992

	1981	1982	1983	1984	1985	1986
Average Weekly Earnings (\$)	327.04	358.97	371.24	388.70	406.06	423.47
Increase (%)	11.7	9.8	3.4	4.7	4.5	4.3
CPI Inflation (%)	12.0	10.7	6.2	4.9	4.1	4.4
AWE Increase Less CPI Inflation (%)	-0.3	-0.9	-2.8	-0.2	0.4	-0.1
AWE - Manufacturing (\$)	358.38	396.20	438.55	459.39	483.43	498.29
Increase (%)	12.1	10.6	10.7	4.8	5.2	3.1
Increase Less CPI Inflation (%)	0.1	-0.1	4.5	-0.1	1.1	-1.3
Collective Bargaining Settlements (% Increase)						
500+	12.3	10.4	6.2	4.5	5.1	4.4
Public	12.7	11.9	6.2	5.4	5.2	5.0
Private	11.2	8.9	6.0	4.0	4.7	3.7
Minimum Wage at Year End (\$/hour)	3.50	3.50	3.50	4.00	4.00	4.35

Table 28 (continued)

	1987	1988	1989	1990	1991	1992*
Average Weekly Earnings (\$)	440.95	462.65	490.17	514.22	542.90	559.65
Increase (%)	4.1	4.9	5.9	4.9	5.6	4.2
CPI Inflation (%)	5.1	4.7	5.8	4.8	4.6	1.1
AWE Increase Less CPI Inflation (%)	-1.0	0.2	0.1	0.1	1.0	3.1
AWE - Manufacturing (\$)	513.93	533.38	561.66	596.82	631.14	658.00
Increase (%)	3.1	3.8	5.3	6.3	5.8	5.3
Increase Less CPI Inflation (%)	-2.0	-0.9	-0.5	1.5	1.2	4.2
Collective Bargaining Settlements (% Increase)						
500+	4.9	5.3	6.5	6.5	5.7	2.6
Public	4.9	5.0	6.5	7.0	6.1	2.4
Private	4.8	5.5	6.3	6.2	4.4	2.8
Minimum Wage at Year End (\$/hour)	4.55	4.75	5.00	5.40	6.00	6.00

* Preliminary

Sources: Statistics Canada, Ontario Ministry of Labour and Ontario Ministry of Treasury and Economics

- Notes:
1. Average Weekly Earnings (AWE) data for 1981 and 1982 are not comparable to subsequent years.
 2. AWE excludes overtime.
 3. AWE and Collective Bargaining Settlements for 1992 are for the first six months.
 4. Minimum Wage will increase to \$6.35 on November 1 1992.

Data Appendix

Table 29 **Ontario, Employment by Occupation, 1981 - 1991**

	(thousands)					
	1981	1982	1983	1984	1985	1986
Managerial	992	1,026	1,068	1,175	1,264	1,295
Clerical	767	737	718	742	760	757
Sales	420	435	437	405	400	438
Service	554	545	563	552	582	586
Primary	188	166	173	162	156	150
Processing	715	664	634	683	675	707
Construction	222	195	196	209	213	243
Transportation	143	136	133	139	154	152
Materials Handling	170	159	166	167	172	196
Total	4,171	4,063	4,089	4,235	4,377	4,524

Table 29 (continued)

	(thousands)				
	1987	1988	1989	1990	1991
Managerial	1,374	1,470	1,478	1,521	1,570
Clerical	796	848	852	853	803
Sales	438	462	461	483	454
Service	591	601	604	607	591
Primary	150	153	153	144	140
Processing	715	712	747	696	638
Construction	262	265	295	291	241
Transportation	169	164	176	172	164
Materials Handling	193	187	184	168	169
Total	4,689	4,862	4,949	4,937	4,770

Source: Statistics Canada

1992 Ontario Economic Outlook

Table 30 Ontario, Distribution of Employment by Occupation, 1981 - 1991

	1981	1982	1983	1984	1985	1986
Total Employment (000's)	4,171	4,063	4,089	4,235	4,377	4,524
Occupational Shares (%)						
Managerial	23.8	25.3	26.1	27.7	28.9	28.6
Clerical	18.4	18.1	17.6	17.5	17.4	16.7
Sales	10.1	10.7	10.7	9.6	9.1	9.7
Service	13.3	13.4	13.8	13.0	13.3	13.0
Primary	4.5	4.1	4.2	3.8	3.6	3.3
Processing	17.1	16.3	15.5	16.1	15.4	15.6
Construction	5.3	4.8	4.8	4.9	4.9	5.4
Transportation	3.4	3.3	3.3	3.3	3.5	3.4
Materials Handling	4.1	3.9	4.1	3.9	3.9	4.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

Table 30 (continued)

	1987	1988	1989	1990	1991
Total Employment (000's)	4,689	4,862	4,949	4,937	4,770
Occupational Shares (%)					
Managerial	29.3	30.2	29.9	30.8	32.9
Clerical	17.0	17.4	17.2	17.3	16.8
Sales	9.3	9.5	9.3	9.8	9.5
Service	12.6	12.4	12.2	12.3	12.4
Primary	3.2	3.1	3.1	2.9	2.9
Processing	15.2	14.6	15.1	14.1	13.4
Construction	5.6	5.5	6.0	5.9	5.1
Transportation	3.6	3.4	3.6	3.5	3.4
Materials Handling	4.1	3.8	3.7	3.4	3.5
Total	100.0	100.0	100.0	100.0	100.0

Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

Data Appendix

Table 31 **Ontario, Employees by Sector, 1983 - 1991**

	(thousands)				
	1983	1984	1985	1986	1987
Resources ¹	244	236	228	229	230
Industrial Materials ²	252	261	266	274	276
Automotive ³	213	230	235	255	258
Consumer Products and Services ⁴	245	251	258	265	273
Recreation and Hospitality ⁵	294	294	303	327	365
Knowledge-Based ⁶	319	333	352	361	380
Business Services ⁷	271	279	301	315	330
Construction and Real Estate ⁸	207	233	255	288	300
Retail and Wholesale Distribution ⁹	549	568	591	593	613
Physical and Social Infrastructure ¹⁰	1,041	1,067	1,089	1,108	1,148
Other	119	122	128	132	136
Total	3,755	3,873	4,007	4,147	4,308

Table 31 (continued)

	(thousands)			
	1988	1989	1990	1991
Resources	227	235	218	201
Industrial Materials	281	288	264	233
Automotive	254	269	275	234
Consumer Products and Services	271	272	246	222
Recreation and Hospitality	373	389	387	333
Knowledge-Based	380	403	392	354
Business Services	346	349	345	344
Construction and Real Estate	307	326	322	267
Retail and Wholesale Distribution	639	670	692	641
Physical and Social Infrastructure	1,189	1,223	1,260	1,265
Other	138	140	137	134
Total	4,405	4,564	4,538	4,228

Sources: Ontario Ministry of Treasury and Economics estimates using data from Statistics Canada

- Note:
1. Agriculture, mining, logging, forestry, wood, paper and allied products
 2. Metals, metal fabricating, petroleum, plastics, rubber, non-metallic minerals, smelting and refining, primary textiles and chemicals
 3. Motor vehicle parts and assembly, auto dealers, gasoline service stations and other auto-related distributors
 4. Food, beverage, furniture, appliances, clothing, textiles, other products and services,
 5. Recreation, accommodation and restaurants
 6. Advanced services (e.g. engineering), R&D-intensive manufacturing (e.g. computers), machinery, universities, trade associations and publishing.
 7. Finance, accounting and legal, insurance carriers, employment agencies, security and miscellaneous services
 8. Construction and real estate operators
 9. Wholesale and retail trade
 10. Transportation, communications, utilities, education, health & welfare and public administration

Table 32 **Ontario, Distribution of Employees by Sector*, 1983 - 1991**

	(per cent)				
	1983	1984	1985	1986	1987
Resources	6.5	6.1	5.7	5.5	5.3
Industrial Materials	6.7	6.7	6.7	6.6	6.4
Automotive	5.7	5.9	5.9	6.2	6.0
Consumer Products and Services	6.5	6.5	6.4	6.4	6.3
Recreation and Hospitality	7.8	7.6	7.6	7.9	8.5
Knowledge-Based	8.5	8.6	8.8	8.7	8.8
Business Services	7.2	7.2	7.5	7.6	7.7
Construction and Real Estate	5.5	6.0	6.4	6.9	7.0
Retail and Wholesale Distribution	14.6	14.7	14.7	14.3	14.2
Physical and Social Infrastructure	27.7	27.5	27.2	26.7	26.6
Other	3.2	3.2	3.2	3.2	3.2
Total	100.0	100.0	100.0	100.0	100.0

Table 32 (continued)

	(per cent)			
	1988	1989	1990	1991
Resources	5.1	5.2	4.8	4.8
Industrial Materials	6.4	6.3	5.8	5.5
Automotive	5.8	5.9	6.1	5.5
Consumer Products and Services	6.1	6.0	5.4	5.3
Recreation and Hospitality	8.5	8.5	8.5	7.9
Knowledge-Based	8.6	8.8	8.6	8.4
Business Services	7.9	7.6	7.6	8.1
Construction and Real Estate	7.0	7.1	7.1	6.3
Retail and Wholesale Distribution	14.5	14.7	15.2	15.2
Physical and Social Infrastructure	27.0	26.8	27.8	29.9
Other	3.1	3.1	3.0	3.2
Total	100.0	100.0	100.0	100.0

* see notes to Table 31 for definition of sectors

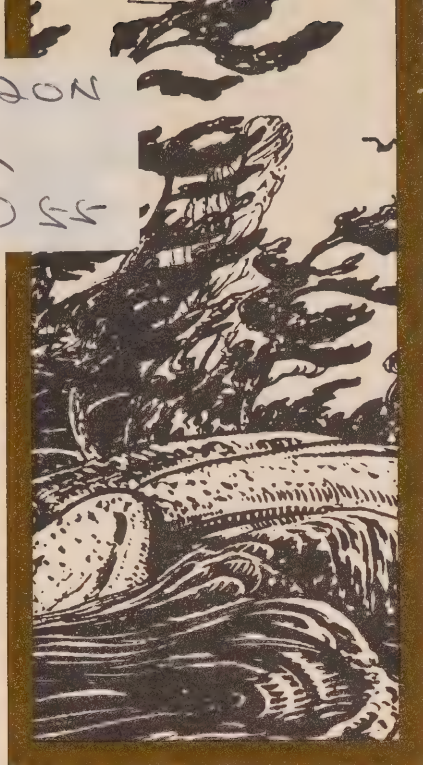
Sources: Ontario Ministry of Treasury and Economics estimates using data from Statistics Canada



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ONTARIO ECONOMIC OUTLOOK

• 1993 •

ONTARIO ECONOMIC OUTLOOK

**Floyd Laughren
Minister of Finance
November 1993**

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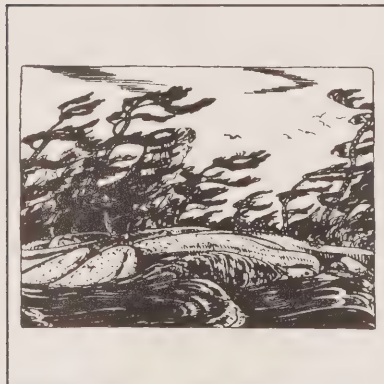
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The Cover: A. Y. Jackson, detail of Pine Island, from "Canadian Drawings - a portfolio of prints by members of the Group of Seven", 1925. Collection: Art Gallery of Ontario.

Preface

The Ontario Economic Outlook presents the medium-term outlook for the Ontario economy. The document is published annually by the Ministry of Finance to enhance public awareness of Ontario's economic prospects and to provide a context for pre-Budget consultations which begin early in the new year.

The macroeconomic forecast through to 1997 and the assumptions underlying the forecast are provided in Chapter 2. This is followed by a detailed outlook for major sectors of the economy in Chapter 3. Chapter 4 discusses developments in the labour market since the recovery began and job opportunities over the forecast period. The longer-term forces behind structural change and the opportunities for future growth are discussed in Chapter 5. The concluding chapter outlines the government's approach to meeting the challenges of the 1990s.

The economic outlook represents a forecast based on reasonable assumptions regarding key economic variables, existing federal and provincial policies and the changing structure of the economy. The economic potential of the province is by no means limited to these projections. The growth of the Ontario economy may exceed the forecast if supported by complementary federal and provincial policies.

Table of Contents

Chapter 1: Summary	1
Chapter 2: Macroeconomic Outlook	5
Overview of Ontario Macroeconomic Outlook	5
Key Factors Affecting the Outlook	8
Sources of Growth	12
Chapter 3: Sectoral and Regional Outlook	15
Sectoral Overview	15
Auto Sector	17
Business Equipment and Related Services	19
Agriculture and Resource-Based Sector	22
Consumer-Related Sectors	26
Business Services Sector	28
Non-Residential Construction Sector	31
Industrial Materials	33
Broader Public Sector	34
Regional Outlook	35
Chapter 4: Improving Job Opportunities in Ontario	39
Ontario's Labour Market in the Recovery	39
Poverty and Social Assistance	46
Labour Market Outlook	49
Chapter 5: Restructuring for Growth and Jobs	55
The Nature of Structural Change	55
Restructuring Through Trade and Investment	58
Sectoral Change and Growth	64
Changing Employment Patterns	69
Restructuring for Growth and Jobs	71
Chapter 6: Economic Policies to Support Jobs and Growth	73
A Three-Pronged Approach to Jobs and Growth	73
Building Partnerships	76
The Future Agenda	77
Data Appendix	
List of Tables	80

1993 Ontario Economic Outlook

Exports and business investment will drive continued improvement in economic conditions through to 1997.

Export-intensive sectors, in particular the auto and business equipment sectors, will continue to play a lead role in Ontario's recovery. Real exports, which increased by an estimated 7.8 per cent in 1993, are forecast to rise by 7.4 per cent in 1994 and by an annual average of 5.6 per cent between 1995 and 1997, as economic activity picks up across industrialized countries and a more efficient industrial base and the lower dollar improve the cost competitiveness of Ontario firms. Investment in business equipment will remain a key component of demand, rising by a strong 9.3 per cent and 9.6 per cent in 1993 and 1994 respectively, and by an annual average of 6.4 per cent between 1995 and 1997 as firms seek to improve productivity and control production costs.

The recovery is expected to broaden and accelerate over the medium term as household spending strengthens. Consumer spending growth will pick up over the medium term, reflecting rising employment and incomes and an associated improvement in consumer confidence. A strengthening recovery is expected in the housing sector. Immigration will continue to provide an important stimulus to housing and consumer goods. Consumer services and the wholesale and retail sectors will experience more gradual recoveries. The broader public sector and some intermediate industries, such as non-residential construction, will experience slow growth over the forecast period.

A new job mix is emerging in the 1990s reflecting changes in occupations, industries and the breadth and level of skills and training required.

As Ontario's industries face continuing competitive pressures, serious adjustment issues remain. Long-term unemployment has increased as a result of a slow recovery and skill mismatches which sometimes limit opportunities for immediate re-employment. The majority of the jobs lost in recent years were in traditional clerical and processing and assembly occupations. In contrast, job growth over the medium term will shift further towards higher-skill positions that require more extensive educational preparation. Employer-based training and retraining will become more important as a broader set of skills is needed to support the diffusion of complex technologies in the workplace. Also, organizations will move away from traditional hierarchies to adopt new co-operative labour/management structures which will enable employers and workers to share responsibility for restructuring and continuous improvements in productivity. For example, workplaces are focussing on team work, expanding the scope of employees' jobs, and broadening the decision-making process to include employees.

Ontario's industries are becoming more competitive.

Intensive restructuring, while contributing to a difficult adjustment process, is laying the foundation for the productivity gains needed to generate lasting growth in output and employment. The economy is shifting towards export-oriented, higher value-added industries. Both capital investment and capital stock per worker have been rising steadily. Rising skill levels, supported by the Province's education and training infrastructure, are enabling this growing and more technology-intensive capital to be used productively.

Restructuring has produced the potential for substantial productivity gains in Ontario's manufacturing sector. Change is also spreading to the service sector as companies and governments in these sectors seek ways to improve productivity.

Working together will facilitate higher economic growth and job creation.

Ontario's economic performance will be strengthened as businesses and workers continue the adjustment to structural change, resulting in a more productive and competitive environment. Ontario's job creation, economic growth and fiscal management strategies rest on three pillars:

- The Ontario Government is helping individuals, firms and communities make the crucial adjustments to structural change efficiently and effectively through investments in an array of training programs and through improvements to social services. Initiatives such as **jobsOntarioTraining**, **jobsOntarioCommunity Action**, social assistance reform and the Ontario Training and Adjustment Board are reducing adjustment costs and creating jobs.
- A second set of measures promotes positive structural change toward higher value-added activities. Ontario's Industrial Policy Framework which includes initiatives such as the Sector Partnership Fund are contributing to productivity gains throughout the province. Ontario is also investing in strategic infrastructure crucial to long-term economic development, including transportation, the environment and communications. These investments are providing essential jobs through the **jobsOntarioCapital** and other programs.
- A sound macroeconomic environment must be provided that will support competitiveness and job growth. The Government remains committed to reducing deficits in ways that minimize the impact on services, jobs and economic growth. Fiscal restraint by all governments should be accompanied by complementary monetary policy -- including competitive real interest rates, a reasonable exchange rate and stable inflation -- and an efficient regulatory regime.

The Ontario Government recognizes the changing realities of the economic environment and is addressing these directly. Training, capital spending, investment and other initiatives support economic growth and job creation. While Ontario will continue to build on its efforts, achieving positive change and economic renewal requires complementary economic policies. Opportunities for more cooperative federal-provincial actions exist across the range of macroeconomic, labour market, adjustment and social assistance, regulatory and industrial policies.

1993 Ontario Economic Outlook

Chapter 2: Macroeconomic Outlook

This chapter outlines the macroeconomic outlook for Ontario in 1994 and over the medium term to 1997. A discussion of key factors shaping the outlook accompanies the projection for Ontario's economic growth.

Overview of Ontario Macroeconomic Outlook

The economic recovery is under way. In 1993, Ontario's economy expanded by an estimated 2.1 per cent, led by rising exports and strengthening investment in business equipment. As the recovery matures, it is expected to gain momentum and become more broadly-based. Real output in Ontario is forecast to grow by 3.4 per cent in 1994, and by an annual average of 4.3 per cent in the 1995 to 1997 period.

Ontario Economic Outlook at a Glance¹

Per cent

	1992	1993	1994	1995-97 Annual Average
Real Growth	0.9	2.1	3.4	4.3
Employment Growth	-1.2	1.7	1.8	2.5
Unemployment Rate	10.8	10.6	10.3	9.0 ²
CPI Inflation	1.1	1.7	1.6	1.5

¹ See the Data Appendix for a more detailed economic forecast table.

² 1997 average.

Source: Ontario Ministry of Finance.

Employment in Ontario increased by an estimated 1.7 per cent or 81,000 jobs in 1993, the first annual rise since 1989. However, the 1993 unemployment rate has remained high at 10.6 per cent. Employment is forecast to rise by 1.8 per cent or 88,000 jobs in 1994, and by an average of 2.5 per cent or 124,000 jobs per year over the 1995 to 1997 period. The unemployment rate is forecast to decline to 9.0 per cent in 1997.

Continuing slack in the economy and growing international competition will curb increases in production costs and consumer prices. CPI inflation in Ontario rose from 1.1 per cent in 1992 to 1.7 per cent in 1993, largely reflecting higher import prices from a lower Canadian dollar. Inflation is predicted to ease to 1.6 per cent next year and to average 1.5 per cent per year over the 1995 to 1997 period.

1993 Ontario Economic Outlook

Economic Recovery is Continuing

The Ontario economy is recovering, but at an uneven and gradual pace. Economic growth has been underpinned by a strong rise in exports, notably auto exports to the United States, and by increased business investment in processing and other equipment. Slow growth in spending by households and weak construction activity have tempered the pace of the overall recovery.

- Real output increased by 3.2 per cent at annual rates in the second quarter of 1993, and has grown for seven of the last nine quarters.
- 101,000 net new jobs have been created in Ontario since the recovery in employment began in May 1992.
- Ontario's real international exports increased by over 11 per cent in the first half of 1993 from a year ago. Canada's real exports of automotive products, most of which are from Ontario, increased by about 17 per cent during the same period.
- As of the second quarter of 1993, real business spending on equipment had risen by over 10 per cent from a year earlier.

Growth since the end of the recession has been below average for an economy at this stage of the cycle. Only about one-half of the output decline experienced during the recession had been regained by mid-1993. Similarly, only about one-third of the jobs lost during the recession have been regained, and the unemployment rate remains high.

Factors Contributing to the Modest Recovery

The slow pace of the recovery has been attributable in large part to an ongoing, dramatic overhaul of Ontario's industrial structure. Changing technology and lower world trade barriers have precipitated widespread restructuring across the economy. Low corporate profits and an oversupply of commercial real estate also have inhibited economic growth.

Household spending is rising gradually. However, spending on housing and durable goods remains weak. Limited wage gains and the concentration of net job creation in part-time employment have led to slow income growth. High consumer debt levels, declining home prices and high real interest rates have restricted the growth in debt-financed consumption. Consumer confidence has been affected by continuing economic restructuring which has generated uncertainty about future employment prospects.

Ontario is not alone in experiencing weak economic performance. The world economy has remained quite sluggish in 1993, as many nations continue to struggle with slow recoveries or recessionary conditions. Gradually strengthening demand in the United States and improving competitiveness have supported growth in the province's international exports.

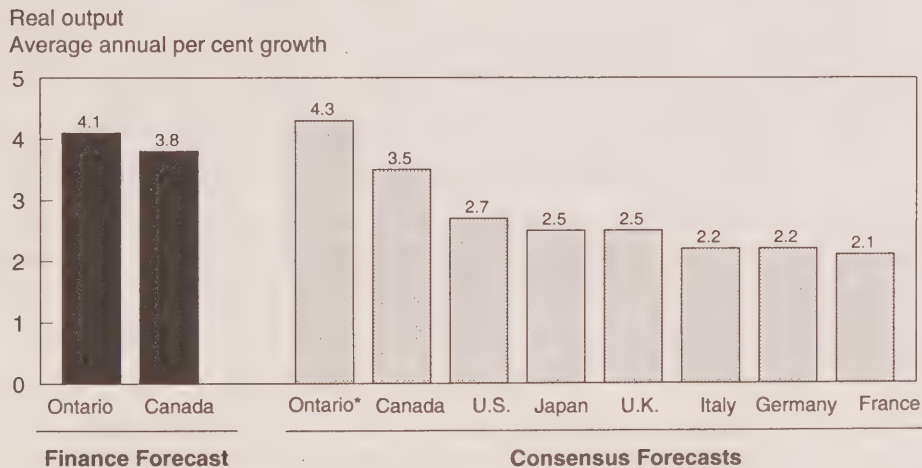
Stronger and More Balanced Growth is Expected

The preconditions for stronger economic growth are in place. Growth is expected to pick up in the medium term as the recovery, initially based on exports and business equipment investment, broadens to reflect higher spending by households. Rising consumer confidence linked to improved employment and income prospects will support stronger growth in personal consumption and housing.

Faster growth will be supported by more accommodative monetary policies, pent-up demand for housing and durable goods, and improved competitiveness of Ontario firms reflecting higher productivity and the lower dollar. High immigration levels will continue to boost demand for housing and consumer goods. Competitiveness will be bolstered by continuing strong investment by businesses in new processes and productivity-augmenting equipment. Faster international economic growth over the medium term will increase external demand for Ontario goods and services.

Fiscal policies, as set out in federal and provincial budgets, indicate that deficit reduction plans will restrain governments' direct stimulus to economic growth over the medium term. However, growth will be supported by strategic investments in infrastructure, training and adjustment, and by increasing public sector productivity.

Forecasts for Economic Growth, 1994-1997



* Ontario Ministry of Finance survey of forecasts.

Sources: *Consensus Forecasts*, *Blue Chip Indicators* and Ontario Ministry of Finance

1993 Ontario Economic Outlook

The Ontario economy is forecast to grow faster than the rest of Canada and should lead the G-7 nations in real growth over the 1994 to 1997 period. In the mid-1990s, growth will be based on improvements in productivity, in contrast to the economic expansion of the late 1980s, which was fuelled by asset price inflation and credit growth. Ontario's underlying competitive strengths, based on a well-educated workforce and excellent physical and social infrastructure, provide a positive basis for stronger economic growth.

Key Factors Affecting the Outlook

This section reviews key factors that will determine the outlook for the Ontario economy over the 1994 to 1997 period, such as interest rates, exchange rates, international economic performance and the changing structure of the economy.

Interest Rates and the Canadian Dollar

Low nominal interest rates and the depreciation of the dollar to a more competitive level are promoting stronger economic activity in Ontario. However, real long-term interest rates (ie., adjusted for inflation) remain stubbornly high, partly because investors are uncertain as to whether inflation will stay low. Lingering high unemployment and under-utilized plant and equipment should make possible continued easing of monetary policy by the Bank of Canada to encourage economic growth without the risk of provoking higher inflation.

The value of the Canadian dollar has fallen significantly over the past two years, improving the competitiveness of Ontario firms. In mid-November, the dollar traded near 76 cents U.S., well below its late 1991 high of over 89 cents U.S. The lower dollar will contribute to an improved trade balance by boosting the growth of exports and by curbing the rise of imports. The inflationary impact of the lower dollar will continue to be muted by the degree of slack in the economy.

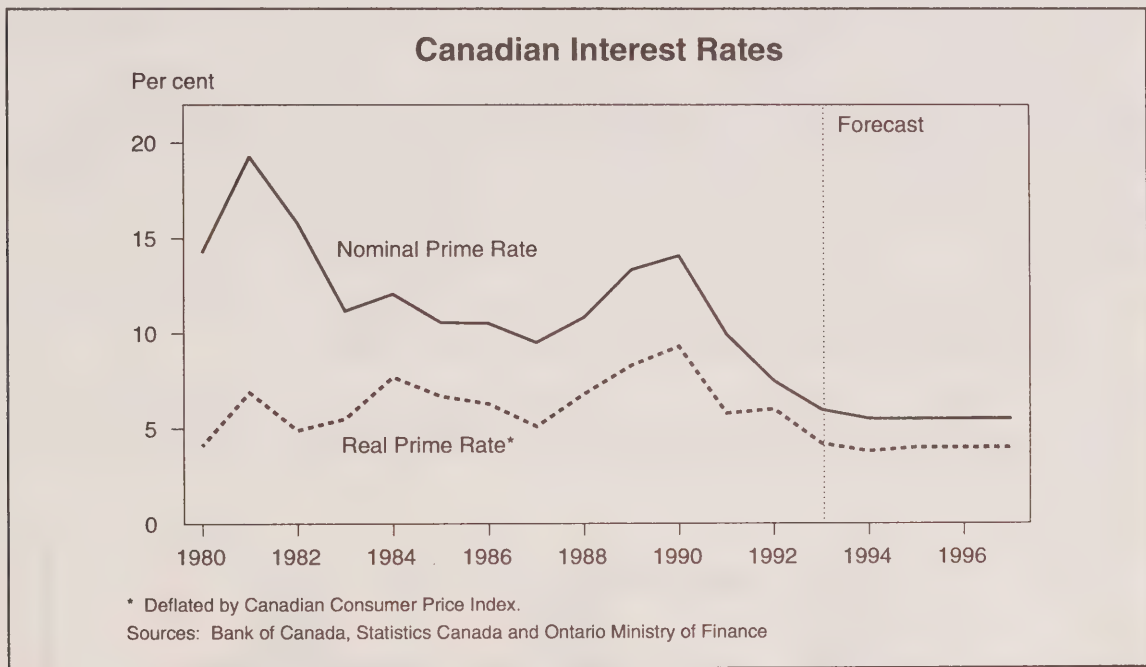
- The Canadian dollar is expected to trade in the 74 to 78 cents U.S. range through 1994. Over the medium term, lower inflation in Canada relative to the United States will support a modest upward trend for the Canadian dollar. By 1997, the dollar is expected to trade in the 79 to 83 cents U.S. range.

The decline in nominal lending rates over the past few years should help promote consumer spending, housing demand and business investment. The prime lending rate dropped to 5.5 per cent in early November. This is the lowest level in thirty-one years and is far below the 14.75 per cent peak reached in the spring of 1990. Long-term interest rates have also fallen, but to a lesser degree than short-term rates. Government of Canada 10-year bond yields eased from about 11 per cent in the spring of 1990 to below 7 per cent in mid-November.

Although nominal long-term interest rates have fallen, real long-term rates remain higher than warranted given the outlook for moderate economic growth and continuing low inflation.

- The real yield on Government of Canada 10-year bonds was near 5 per cent in mid-November. In the United States, the comparable real long bond rate was about 3 per cent.

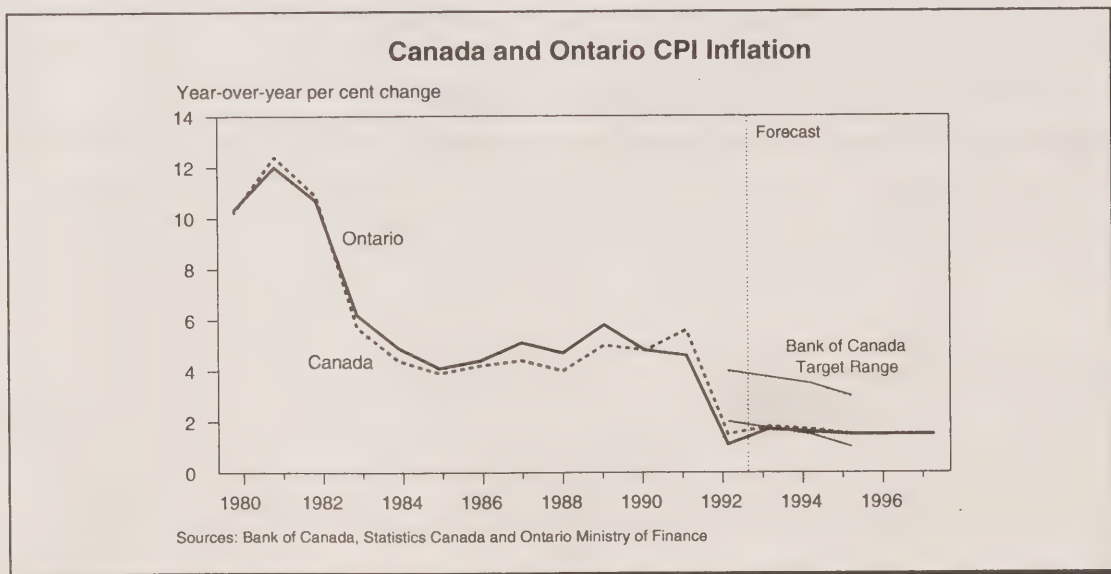
Short-term interest rates are assumed to remain near current levels. However, long-term rates, both real and nominal, should continue to decline somewhat over the next few years, reflecting the continuing low level of short-term rates and the low inflation environment. Measures to control government deficits will facilitate lower interest rates by limiting public sector borrowing needs.



The Transition to Low Inflation

The severity of the recession has caused the rate of inflation to come down more quickly than indicated by the Bank of Canada's own targets. (See chart below.) Intense international competition and persistent under-utilization of the economy's productive labour and capital resources will keep inflation low in the 1990s. While a lower rate of inflation may be positive for the economy in the long run, adapting to low inflation is a slow and difficult process.

- In a slow-growth, intensely competitive, low-inflation environment, firms are unable to increase profits by raising prices. As a result, firms will focus on raising productivity and reducing the costs of production, including labour.
- The "real" debt burden of Ontario households and businesses has risen as inflation has declined, particularly as a result of the drop in value of assets such as real estate. The increase in the debt burden has been worsened by the failure of nominal interest rates to fully adjust to low inflation. As a result, households and businesses may initially tend to apply any additional income to debt reduction rather than to higher discretionary spending.
- Continuing high real lending rates curb demand for major investments such as housing and business equipment and raise the cost of financing government deficits.
- Deflation (a falling price level) would have a serious negative effect on the economy. Because of the degree of slack in the economy, the Bank of Canada should pursue monetary policy that avoids the risk of deflation.

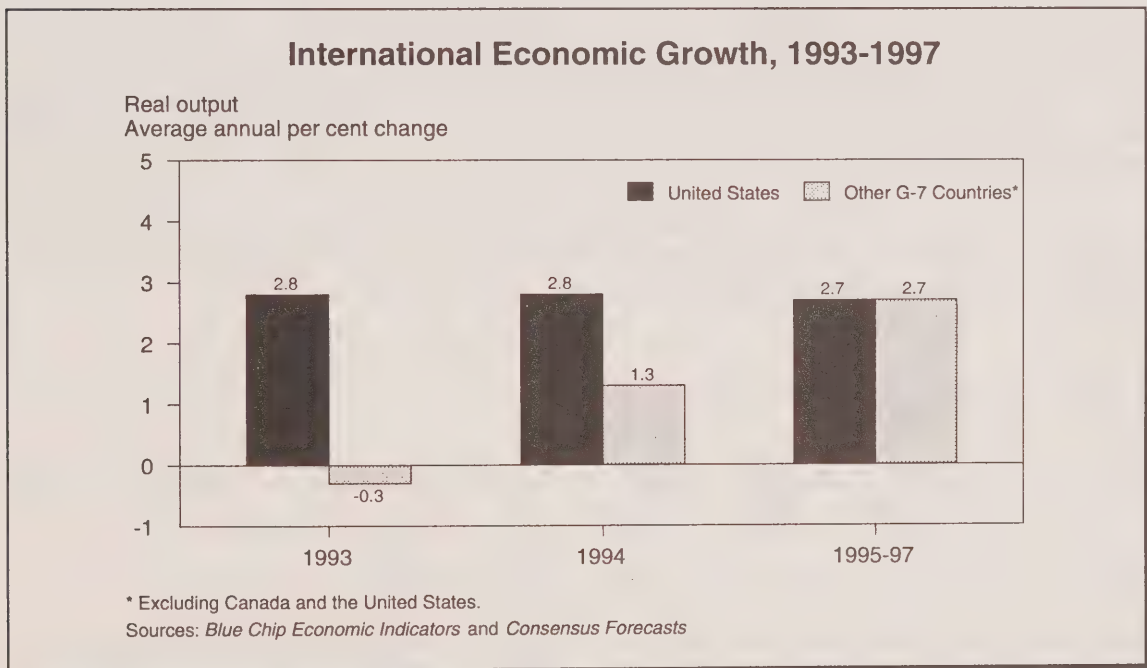


International Outlook

Private-sector forecasters anticipate that the global economy will grow more slowly and experience lower inflation over the next few years than during the 1980s expansion. This is partly the result of increasing global competition, technological change and world-wide excess capacity in many industries. Medium-term growth prospects for the global economy will also be tempered by fiscal restraint, high private and public debt, and reduced defence spending, particularly in the United States.

A gradual improvement in economic conditions in the major industrial countries will bolster growth of the Ontario economy by increasing demand for our products.

- The consensus of private forecasters predicts that real output in the G-7 nations, excluding Canada and the U.S., will rise by 1.3 per cent in 1994, following a decrease of 0.3 per cent in 1993. Real GDP growth for this group of nations is forecast to average 2.7 per cent per year over the 1995 to 1997 period.



1993 Ontario Economic Outlook

- According to a survey of U.S. forecasters, moderate expansion in the United States will continue. Real GDP in the U.S. is forecast to grow by 2.8 per cent in 1994, and by an average 2.7 per cent annually in the medium term. This is slower than the average 3.8 per cent annual growth the U.S. economy registered during the 1984 to 1987 period.

Changing Structure of the Economy

Ontario's severe economic downturn and slow recovery reflect both cyclical and structural factors. During the recession, the province's real output of goods and services contracted by 8 per cent, the largest decline since the 1930s. Since the output trough in early 1991, the economy has regained only about one-half of the output lost.

There remains a large gap between the economy's actual production and its potential. The forecast is for real output to expand by an average 4.1 per cent over the 1994 to 1997 period. This rate of growth is insufficient to close the "output gap". This under-utilization of productive resources means the economy could grow well above its long-term growth potential of about 3 per cent for several years without sparking higher inflation.

In the near term, however, structural change, driven by increasing competitive pressures and technological change, will restrain the pace of economic recovery. The recession, and in particular the high-interest rate, high-dollar policies of the former federal government, hindered the adjustment of Ontario businesses and workers to these pressures. As a result, the restructuring that the Ontario economy is undergoing to remain competitive in the 1990s has been particularly difficult.

Over the medium-to-longer term, public policies that encourage investment in new technologies and retraining for displaced workers will lead to higher productivity and raise the potential growth of the economy.

Sources of Growth

This section discusses the composition of real growth in Ontario in 1993 and over the 1994 to 1997 forecast period.

Business equipment investment will remain very strong during the recovery, as firms strive to maintain a competitive edge in an increasingly challenging market. Real business spending on new equipment will be one of the fastest-growing components of demand, rising by an estimated 9.3 per cent in 1993, by 9.6 per cent in 1994, and by an annual average rate of 6.4 per cent over the 1995 to 1997 period.

Trade will play an increasing role in the Ontario economy. Ontario's *export* performance will be supported by continuing expansion of the U.S. economy, by rising auto exports, and by the recent decline in the value of the Canadian dollar to a more competitive level. Real exports grew by an estimated 7.8 per cent in 1993, and are forecast to rise by 7.4 per cent in 1994, and by an average of 5.6 per cent per year during the 1995 to 1997 period. Real *imports* have increased by an estimated 6.8 per cent in 1993 and are projected to grow by 5.6 per cent in 1994, and by 4.5 per cent annually in the medium term. Rising imports reflect

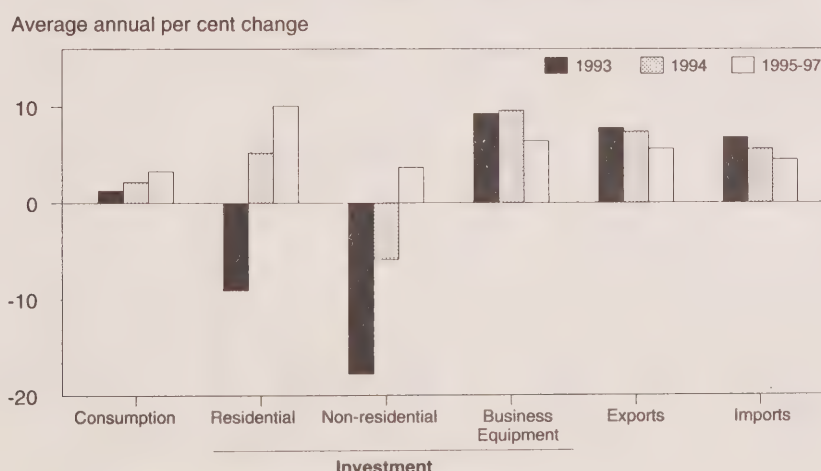
continuing strength in business equipment investment and gradually improving consumer demand in Ontario.

Housing has been hit by a continuing decline in home prices and by low consumer confidence levels, reflecting poor labour market conditions. Housing starts are now running well below underlying demographic requirements. Over the next few years, lower mortgage rates and a stabilization of home prices, in combination with rising employment, pent-up demand and favourable demographic trends, will lead to strengthening housing activity. Ontario housing starts are forecast to rise from an estimated 42,000 in 1993 to 51,000 in 1994, and to an average of 74,000 per year during the 1995 to 1997 period.

Consumption growth has been slow in 1993, but should pick up in 1994 and over the medium term. Incomes have been growing slowly, causing consumers to defer major purchases. This hesitancy has been reinforced by the insecurity caused by continuing high-profile layoffs. Confidence should recover as evidence of an improving economy increases and, in particular, as employment grows and real incomes rise. Accordingly, real consumption growth is forecast to rise from an estimated 1.3 per cent in 1993 to 2.2 per cent in 1994, and to an average of 3.3 per cent annually during the 1995 to 1997 period.

A significant oversupply of commercial and industrial real estate, built in response to the asset price bubble of the late 1980s, will continue to limit *non-residential investment*. In addition, lower capital spending by Ontario Hydro will restrain growth in this area. Overall real non-residential construction is expected to decline by close to 18 per cent in 1993 and by a further 5.9 per cent in 1994, before beginning to recover in 1995. Growth over the 1995 to 1997 period will average 3.7 per cent per year.

Sources of Real Growth, 1993-1997



Sources: Statistics Canada and Ontario Ministry of Finance

1993 Ontario Economic Outlook

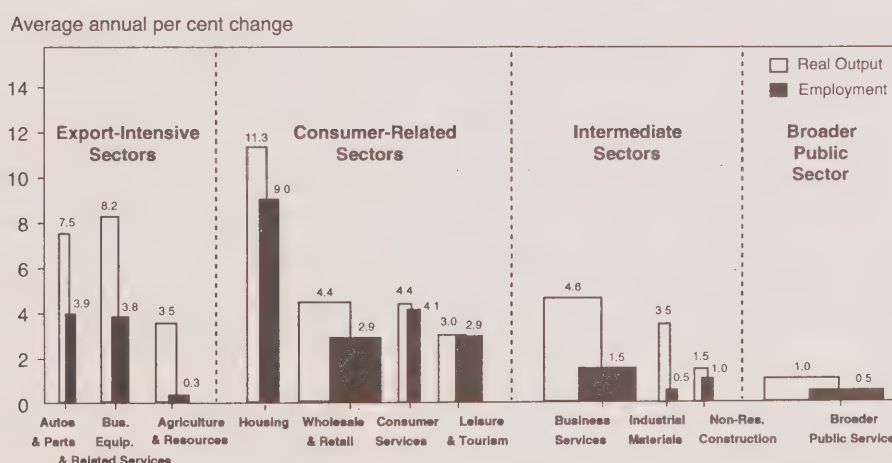
Chapter 3: Sectoral and Regional Outlook

Sectoral Overview

The Ontario economy has been undergoing extensive change over the past five years as it adapts to global competition while adjusting to a serious recession. Intense efforts are being made in many industries to respond to greater competition by improving quality, focusing on profitable niches and improving productivity through investment in business equipment and organizational change. While the combination of the Canada-U.S. Free Trade Agreement and the high Canadian dollar led to record levels of bankruptcy, those firms which have survived the recession are now benefitting both from productivity enhancements and a Canadian dollar that has fallen relative to U.S., European and Japanese currencies. As the recovery leads to higher sales and capacity utilization, productivity and international competitiveness will improve further. This chapter describes the medium-term outlook for major sectors of Ontario's economy and highlights restructuring challenges and opportunities for key industries in each sector.

The macroeconomic forecast for Ontario as a whole is for real output to grow at an average rate of 4.1 per cent per year and employment to grow by an average of 2.3 per cent per year over the 1994 to 1997 period. The relative contribution of each major sector of the Ontario economy to this economy-wide forecast is summarized in the chart below. Output growth will be strongest in the export-oriented and residential housing sectors, while the consumer goods and services sectors will make the largest contributions to employment growth.

Sectoral Output and Employment Growth, 1994-1997



Note: Width of bars is proportional to share of total employment.
Source: Ontario Ministry of Finance

1993 Ontario Economic Outlook

Currently, one-half of Ontario's total output of goods and services is exported to other provinces and to international markets. This proportion will continue to grow. Export-intensive sectors, particularly *autos* and *business equipment*, will play a leading role in Ontario's economic recovery and employment growth over the medium term through to 1997. Both sectors are increasing their share of U.S. and other markets, helped by a lower Canadian dollar, the United States recovery, substantial investments in new and more productive plants and equipment, improved quality and favourable product niches. *Resource* exports are also benefitting from the lower Canadian dollar, but employment growth will continue to be constrained by slow growth in markets and by stiff international competition.

Ontario's Trade Balance		
(\$ Billions)		
	1993	1997
Autos and Parts	12.3	20.0
Business Equipment (machinery, transportation and electrical equipment)	1.5	3.7
Resources (agriculture, selected food products, forest products and mining, excluding energy)	2.1	2.7
All Other Goods and Services	-8.7	-4.8
Total	7.2	21.6

Source: Ontario Ministry of Finance

Note: Combines international and interprovincial trade balances.

Several sectors depend on household spending, which plays a key role in economic growth. A gradual strengthening is expected in the *housing* sector over the medium term due to improved affordability and pent-up demand. The *wholesale and retail* sector and *consumer services* will experience a more moderate recovery, as value-conscious consumers and more dynamic competition continue to affect these industries. Finally, recovery in the leisure and tourism industries will lag the overall recovery, due in part to continued pressure on discretionary income. Employment growth will be relatively strong in the consumer sector.

Growth in the intermediate sectors is dependent to a great extent on the recovery of export and consumer sectors. *Business services* are expected to recover more quickly than *industrial materials* or *non-residential construction*. Employment growth over the 1994 to 1997 period will be moderated by continued emphasis on achieving productivity gains.

Expansion of the *broader public sector*, including *health*, *education*, and *government services* will be restrained as all levels of government strive to reduce deficits and deliver services more efficiently.

Auto Sector

Auto assembly and parts production form a major segment of Ontario's manufacturing base. The sector employs 110,000 people, accounts for 4 per cent of the province's GDP, and supports many supplier industries, including steel, plastics and machine tools. Auto exports grew to \$37 billion in 1992 -- almost one-half of the province's total merchandise exports. The sector is leading the recovery with rapid export growth and significant investment activity. Ontario production will reach a record two million vehicles in 1993.

Auto assemblers in North America have been restructuring their operations by closing down inefficient facilities and investing in high-quality, flexible manufacturing technologies.

- Ford and Chrysler have improved labour productivity by an estimated 31 and 19 per cent, respectively, and General Motors has improved by 5 per cent.
- The Big Three auto manufacturers have also narrowed the quality gap between North American and offshore vehicles. Six of the 14 highest-quality cars priced under (U.S.) \$20,000 are domestic models.

In Ontario, \$4 billion in investments by vehicle manufacturers to modernize assembly plants for new product lines and to expand production capability are helping to offset the loss of three assembly plants and four in-house parts plants. Ontario Government support for these investments will total over \$75 million for worker training and infrastructure.

Major Recent and Near-Term Automotive Investments in Ontario

Completion Date	Project	Investment (\$ millions)
1992	Ford - new Oakville Paint Plant	439
1992	Chrysler - retooled Bramalea Assembly Plant	600
1992	Freightliner - new St. Thomas Assembly Plant	30
1993	Ford - new Windsor Cosworth Aluminum Casting Plant	200
1993	Ford - retooling Oakville Assembly Plant	560
1994	GM - retooling Windsor Transmission Plant	300
1994	Ford - expanding Windsor Essex Aluminium Casting Plant	100
1995	Ford - reopening Windsor Ensite Engine Plant	1,000
1995	Toyota - new Cambridge Engine Assembly Plant	30
1995	Chrysler - expanding Windsor Assembly Plant	600
TOTAL		3,859

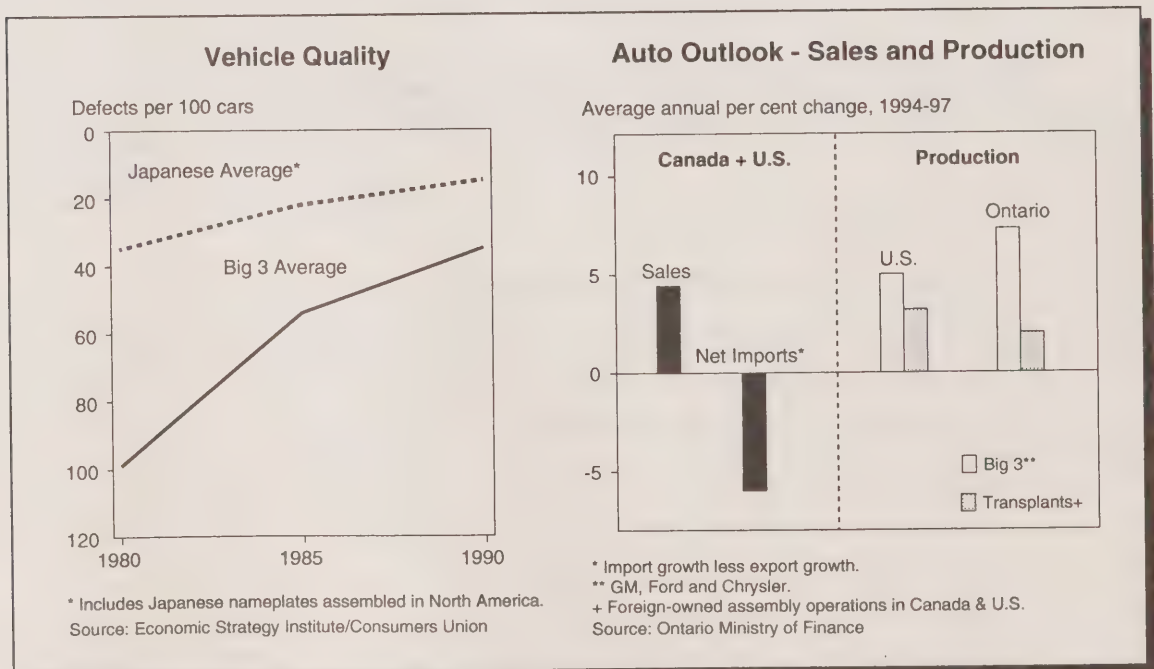
Source: Ontario Ministry of Finance

1993 Ontario Economic Outlook

Automotive parts manufacturers have also undergone intense restructuring as they adopt high-technology, low-cost production techniques and better focus on customer needs. In addition, motor vehicle assemblers are reducing the number of direct suppliers and are demanding advanced research and development capabilities. Approximately fifty parts plants have closed in Ontario since 1988. Most of these plants were operated by U.S.-based companies that have since consolidated operations in the United States. However, Ontario's parts manufacturers are maintaining market share by expanding business with traditional customers and foreign transplant assemblers and are now benefitting from the lower Canadian dollar.

Automotive assembly and parts exports are expected to grow by an average of 10 and 9 per cent per year, respectively, through the forecast period. Above-average employment gains will be supported by the recent contract agreements reached by the CAW, Chrysler, and GM. Ontario's trade balance in motor vehicles and parts is expected to increase from \$12.3 billion in 1993 to \$20 billion by 1997 for several reasons.

- U.S. auto sales are now experiencing a cyclical recovery spurred by pent-up demand, low interest rates and aggressive new leasing programs.
- The Big Three are gaining market share at the expense of the Japanese, assisted by the higher yen, increased productivity and enhanced vehicle quality. These improvements are also spurring vehicle exports from North America, benefitting the trade balance in vehicles.



- Ontario's assembly plants provided 17 per cent of North American production in 1992, up from 13 per cent in 1987. The province's underlying cost advantages, made possible through very modern, highly productive plants and lower labour costs, are amplified by the lower Canadian dollar.
- Ontario has a favourable product mix. Almost one-half the Ontario-made vehicles are in the minivan, light truck, and sport-utility categories which have demonstrated the strongest sales growth.

Business Equipment and Related Services¹

The business equipment and related services sector is a critical source of innovative companies with international markets and leading-edge technologies. It now comprises over five per cent of GDP and employs 215,000.

Ontario's business equipment industries are competitive and specialized, exporting close to 80 per cent of their production. Total shipments exceed overall domestic spending on business equipment in Ontario, creating a net surplus on interprovincial and international trade. International exports of business equipment grew faster than the economy as a whole during the 1980s, climbing to \$12.5 billion in 1993, or about 15 per cent of Ontario's merchandise exports. The strong export performance was led by R&D-based industries such as telecommunications equipment and computers, which sell around 90 per cent of their output outside the province.

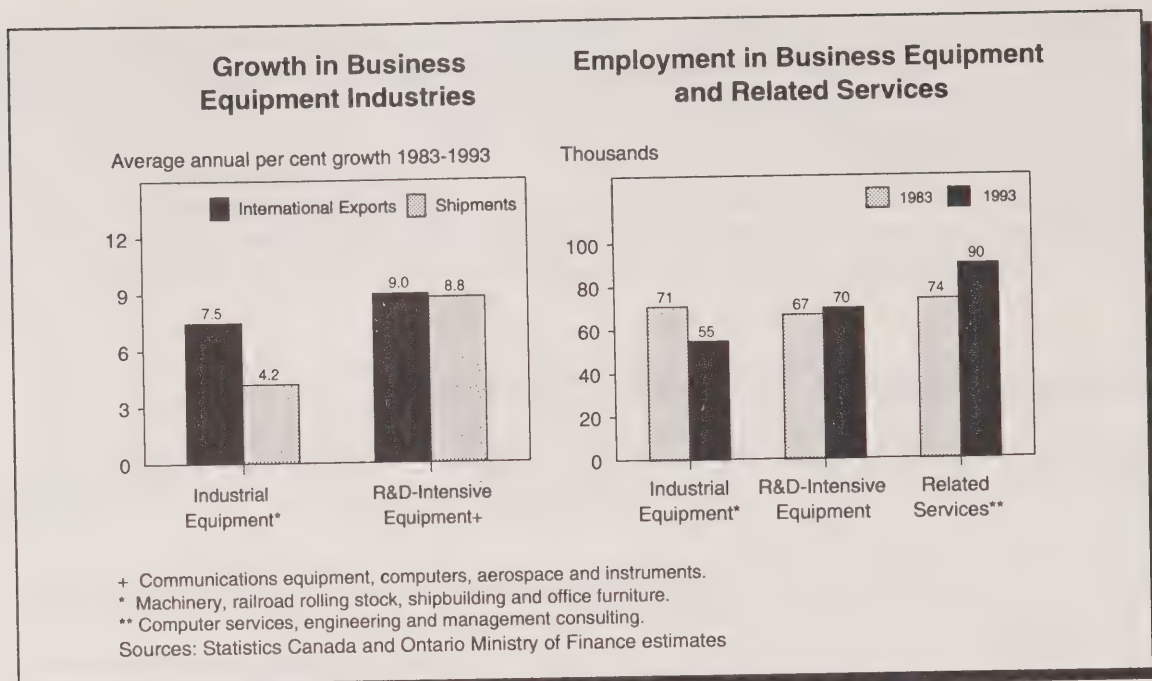
A rebound in business investment and exports in 1993 is supporting strong growth in this sector. Rapid growth between 1994 and 1997 will also be aided by low interest rates. United States real spending on computer-based equipment, for example, is projected by private forecasters to grow by at least 15 per cent annually. Developing countries are also modernizing their infrastructure, especially their telecommunications networks. In addition, Canadian firms' competitiveness in international markets is enhanced by favourable exchange rates.

R&D-intensive equipment manufacturing industries now account for 55 per cent of overall business equipment manufacturing, as compared to 44 per cent ten years ago.

- Ontario's *communications equipment* industry will grow rapidly over the medium term, reflecting the impact of rapid innovation in digital electronics and wireless communications. Industrialized nations will be restructuring their multi-media communications networks and developing nations will be modernizing their infrastructure.

¹ This sector includes industrial equipment (machinery, railroad rolling stock, shipbuilding and office furniture), R&D-intensive equipment (communications equipment, computers, aerospace and instruments) and computer and engineering services (computer services, engineering and management consulting).

1993 Ontario Economic Outlook



- *Environmental technology industries* will enjoy rapid growth over the medium term because of the large and growing global market for environmental products and services, currently estimated at about \$275 billion. Ontario environmental firms have made inroads into the United States and other international markets.
- *Aerospace and electronics industries* in Ontario are expected to grow modestly over the medium term as they continue to diversify their markets. Recovering world demand for commuter and long-range business aircraft will support growth in these sectors since, in comparison to their U.S. counterparts, Ontario's industries are more dependent on civilian markets than defence markets.

Industrial equipment industries such as *machinery and resource-extraction equipment* are also expected to rebound over the medium term as manufacturing in Canada and other countries expands. These largely trade-oriented industries were exposed to global competitive pressures during the 1980s, leading many to restructure and downsize to remain competitive. Machinery industries that have developed world market niches based on technology and domestic industry linkages, for example, *plastics and injection moulding machinery*, are expected to enjoy continued strong growth.

Sectoral Initiatives Support Technology and Exports

The *Industrial Research and Development Institute* (IRDI) in Midland, was established through the combined efforts of industrial manufacturers, such as those in the auto sector, the materials industry, the tool, die and mould (TDM) industry and the Ontario and Federal governments. The Institute supports the development of new tool, die and mould technologies with R&D and engineering support to member companies; training and professional development programs; and a database to support technical development in the sector.

A new *Ontario Centre for Environmental Technology Advancement* (OCETA) will be financially assisted as part of the Green Industry Strategy. The Centre will assist small and medium-sized companies to commercialize new environmental technologies by providing them with technical, financial, educational and management services.

The Province has announced its support for a joint private-public initiative to take advantage of growing international demand for health consulting services. The mandate of the proposed "*Interhealth*" corporation will be to organize Ontario-based bids on international health service contracts.

Related service industries such as *computer, engineering and consulting services* have become integral to the design and use of almost all types of business equipment. For example, computer software and hardware are now closely linked, as computer companies sell computer devices together with accompanying software and customer services. Employment in these high-value service industries has risen to about 90,000 in 1993, slightly smaller in size than employment in all of business equipment manufacturing, and is expected to continue growing at an average of over 4 per cent per year in 1994 to 1997.

University, Community and Business Linkages Promote Growth

Companies in the business equipment and related services sector are responsible for a large portion of the industrial research and development activity in Ontario. In addition, much of the research and development in Ontario's universities and other post-secondary institutions is carried out in partnership with companies in this sector. This is part of a global trend in which industry and post-secondary institutions are increasingly participating in joint research efforts.

Initiatives such as Ontario's *Centres of Excellence* are facilitating the transfer of technology as well as bringing post-secondary institutions and private industry together. The Province is also supporting Ontario's overall industrial competitiveness with an investment in ONet, Ontario's research and education network. This high speed information network links researchers in Ontario universities, colleges, Centres of Excellence, provincial and federal government facilities and industrial research centres.

A number of Ontario urban centres have large university communities that play an important role in enhancing their economic base. Universities and community colleges in the Kitchener-Waterloo, Cambridge and Guelph area, for example, have played significant roles in the development of a high concentration of high-technology, export-oriented companies. Known as Canada's "Technology Triangle", the area includes a number of software, environmental technology, biotechnology, electronics and engineering firms. More than 100 engineering and software firms, for example, have been started by University of Waterloo graduates in recent years.

Sudbury is becoming a focal point for mining related research involving Cambrian College, Laurentian, companies like Inco and Falconbridge, and Ontario's Mines and Minerals Division. With provincial financial assistance, for example, Inco is developing new mining backfill systems and innovative products such as nickel foam electrodes for use in rechargeable batteries. Sudbury is also the site of a Neutrino Observatory used for advanced research in physics, rock mechanics and environmental water sampling.

Agriculture and Resource-Based Sector

The agriculture and resource-based sector -- agriculture, mining, forestry and related activities such as meat and vegetable processing, pulp and paper production, and base metal smelting and refining -- will provide an important source of export earnings growth through to 1997 as international demand and prices begin a cyclical recovery.

Ontario's resource exports increased almost 20 per cent in the first half of 1993, and by year end are expected to account for about 15 per cent of Ontario's total merchandise exports. The sector is benefitting from the decline in the Canadian dollar since 1991, a recovery in demand in the United States, and stronger global demand for lumber and gold.

Demand for other resource products is still lagging due to the slowdown in the European and Japanese economies and global oversupply.

The outlook for 1994 to 1997 is for a moderate increase in output as domestic, U.S. and other international economies gradually recover. Continuing a trend from the 1980s, employment growth in the sector will be negligible. Job gains in food processing and wood products will be offset by modest losses in agriculture and metal mining.

Agriculture and Resource Related Initiatives

The *Ontario Winery Adjustment Program* has enabled the Ontario wine industry to raise the quality of its product and increase market share. Product quality has been enhanced through the use of the Vintner's Quality Alliance designation. Wineries have boosted efficiency and expanded capacity to meet increased demand, and have also implemented environmental measures. The industry's efforts have resulted in the receipt of numerous international awards in recent years.

Provincial funding has been approved to support establishment of the *Guelph Food Technology Centre*. The Centre will promote the international competitiveness of Ontario's food sector by providing it with access to information, technical expertise, research and training resources. The centre will include a state-of-the-art pilot plant, research and development laboratories, and a technology resource centre.

The Northern Ontario Development Agreement is providing \$80 million over four years to support technology development in forest management, mining and mineral exploration. Projects include, for example, computerization of resource information, improving the efficiency of forest fire fighting, development of new mining equipment, marketing of Ontario's building stone resources, and finding environmentally safe ways to deal with mine tailings.

Strategies for Ontario's forest products industry - *Hard Choices - Bright Prospects* - and Ontario's mining industry - *Rediscovering Our Resources* - have been recently completed with the help of industry and other stakeholders. They identify actions to enhance competitiveness, and provide a basis for future cooperative initiatives.

Sector Highlights

Ontario has a diversified *agricultural* base, with major shares of output comprised of red meats, dairy products, field crops and poultry products. Demand for primary agricultural products continues to grow in line with rising population, and to a lesser extent, with incomes. However, there is a long-term, downward trend in real prices for most agriculture products as world producers continue to improve productivity.

1993 Ontario Economic Outlook

- Some positive short and medium-term factors for Ontario farmers include: a lower Canadian dollar and increased export potential; strong consumer demand for poultry; and firmer prices for grain and oilseeds as a result of crop losses this year in the United States.

Ontario's *forest products* industry is dominated by *pulp and paper*, where markets should begin to improve in late 1994 with a gradual resumption of growth in international demand. Waste paper recycling has been increasing in North America, displacing quantities of virgin pulp and newsprint and significantly affecting Ontario producers. A number of Ontario mills have installed recycling facilities to help them retain pulp and paper markets, and some are seeking higher-value niches where they will be better able to compete.

- *Lumber* is experiencing a speedy recovery in demand and prices as North American housing starts pick up and environmental concerns limit U.S. timber harvests. Engineered wood products such as oriented strandboard also face good market prospects. Ontario's supply of underutilized hardwoods creates opportunities for building new mills.

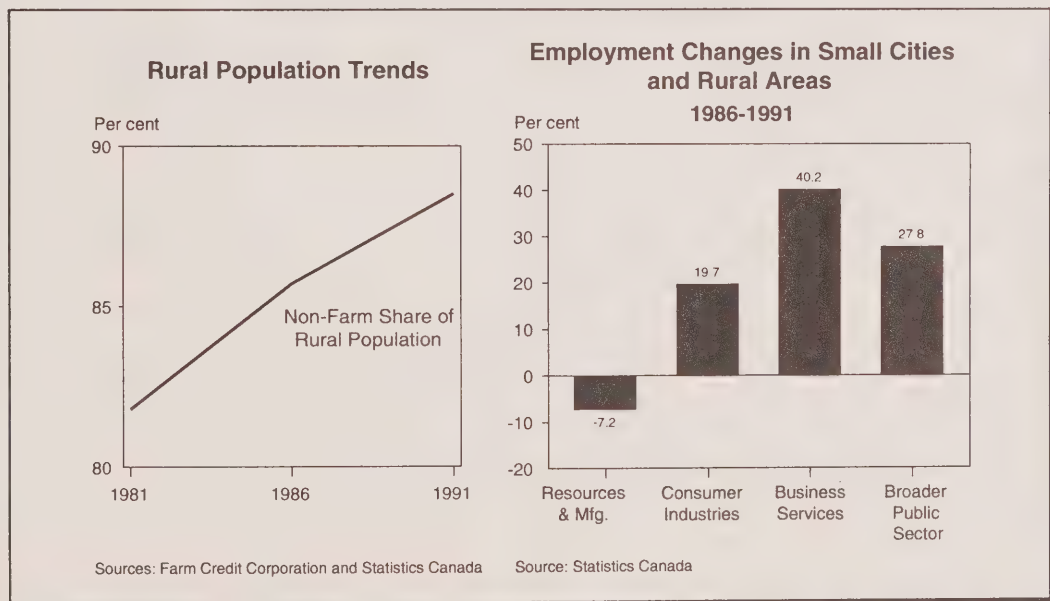
The *mining* industry saw prices decline for nickel, copper and zinc this year as the European and Japanese economies slowed down and excess global production accumulated. Demand and supply are expected to come into better balance in 1994, but the recovery in prices could be delayed if large amounts of metal produced in the former Soviet Union continue to enter world markets.

- In the search for new ore bodies to replace those that are being mined out, Ontario faces increasing competition from other parts of the world, such as Latin America, where there is considerable unexplored mineral potential and improved conditions for foreign investment.

Rural and Resource-Based Communities in Transition

Ontario's smaller communities and rural areas are often "single industry" communities. They are dominated by agriculture and resource industries, which face strong international competition and persistent declines in employment. Many of these communities are diversifying by becoming more service-based.

- Specialized attractions support tourism. Theatre activities for the summer season in Niagara-on-the-Lake, Blythe and Drayton, the "Shakespearean Festival" in Stratford and the "Théâtre du Nouvel Ontario" in Sudbury draw visitors, as do winery tours in the Niagara area, and cultural events such as North Bay's "Semaine Française".
- Communities of the Georgian Lakelands, Central and Northern Ontario benefit by providing goods and services to cottagers, skiers and hobby farmers. Other communities are growing on the basis of their appeal as retirement sites.
- Many communities within an hour's drive from major urban centres are becoming bedroom communities with an associated increase in personal and retail service activity.
- With improvements in information technologies, business services are accounting for a larger share of employment in small communities.



1993 Ontario Economic Outlook

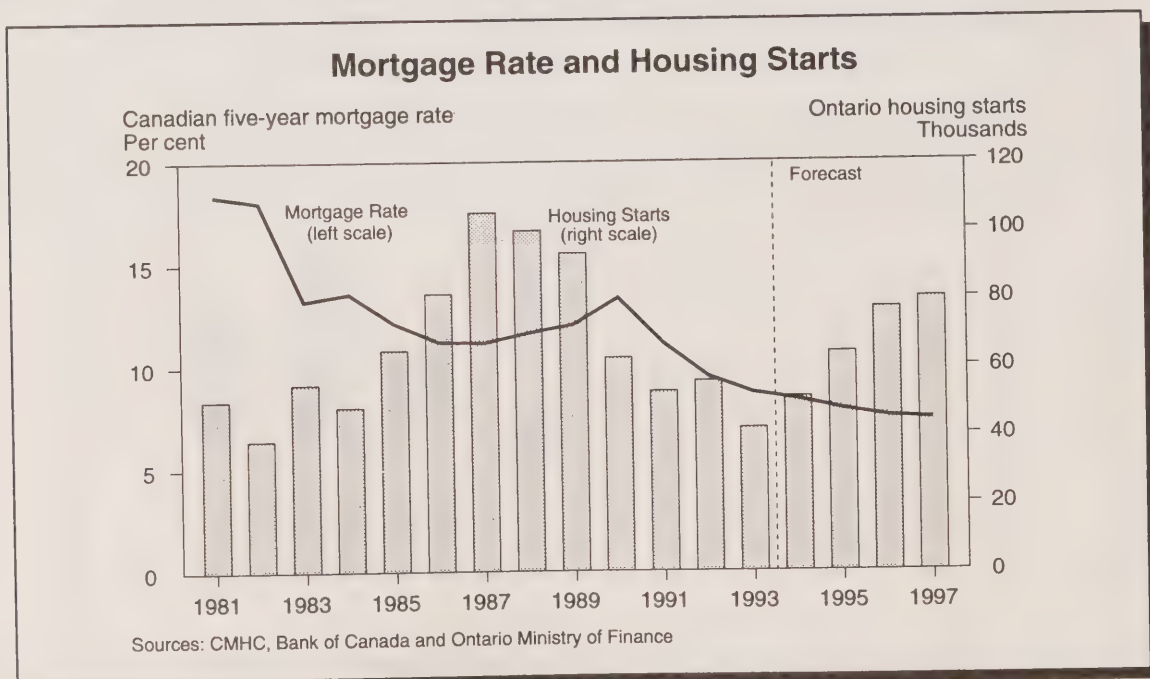
Consumer-Related Sectors

Consumer spending on goods and services accounts for 60 per cent of Ontario expenditures, and is therefore key to a broad recovery. Sectors that serve primarily consumer markets include residential housing, consumer goods manufacturing (e.g. appliances, household furniture, clothing and footwear), wholesale and retail trade, and personal and household services.

Consumer spending will strengthen over the medium term as employment, incomes and consumer confidence improve. This year's large drop in interest rates is already helping to reduce household's debt interest expense. This expense will continue to decline over the coming years as mortgages and loans are renewed at lower rates. In the near term, consumers are expected to use the savings from lower interest rates mainly to pay down debt. As the economy strengthens over the medium term, the additional discretionary income will increasingly be spent on the consumption of goods and services.

Sector Highlights

Housing-related expenditures represent the largest component of household spending, accounting for almost one-quarter of the total. Spending on new housing and renovations will play an important role in generating economic activity over the medium term.



- There has been a dramatic improvement in housing affordability. CMHC reports that 30 per cent of renters living in Toronto can now afford to carry mortgage payments on an average starter home as compared to only 7 per cent in 1990.

- The largest component of the baby boom generation is now reaching its prime house-buying age. Continuing strong international immigration will also contribute to demand for housing.

Ontario *retail sales* are forecast to rise by 3.6 per cent in 1994 and by an average of 4.7 per cent per year in the medium term. The recovery in retail sales over the medium term will be led by purchases of durable goods. Improved competitiveness and the lower value of the Canadian dollar are contributing to a decline in crossborder shopping. The consumer's requirement for "value" in an environment of slow employment and income growth will maintain pressure on the retail-wholesale-manufacturing chain. Ontario retailers will continue to focus on cost reduction to strengthen profits. Wider use of computer systems is helping to boost sales, reduce costs and identify areas where costs can be shifted back to wholesalers and manufacturers.

- *Autos and related services* make up about one-quarter of Ontario retail sales. Ontario auto sales are expected to grow by about 7 per cent annually through 1997, supported by the economic recovery, low interest rates and an aging vehicle fleet. While downsizing has already occurred among Ontario dealerships and service station outlets, pressures for further change continue. In the intensely competitive auto market, dealers are adopting innovative selling techniques and turning to auto servicing and accessory sales for additional revenue growth. The trend to longer vehicle life spans and a record number of motor vehicles in prime repair years is underpinning continued demand for auto servicing.
- Continued slow growth is expected in *food retailing*. Warehouse-style retailers will continue to exert pressure on full-service retailers to control costs and shelf prices.

Ontario *manufacturers of consumer goods* -- such as processed foods, beverages, clothing, furniture, electrical products and sporting goods -- are primarily oriented to domestic markets. However, many firms are realizing higher export sales aided by quality products, improved productivity and a lower Canadian dollar. In the first half of 1993, for example, Ontario exports of consumer goods were up 14 per cent over a year ago. Imports have also experienced strong growth and industries such as leather products and furniture have experienced a loss in domestic market share. Growth among domestic manufacturers will continue to depend on cost and quality competitiveness in both domestic and global markets.

Consumer expenditures on services have become as significant as consumer expenditures on goods, accounting for one-half of expenditures by 1989. Many of the conditions which drove demand for services in the 1980s are expected to continue. For example, the needs of two-earner families will sustain demand for household and child-care services. New products and services will be an important generator of residential demand for communications and entertainment.

1993 Ontario Economic Outlook



The demand for services such as *restaurant meals, culture, recreation and tourism* is particularly vulnerable to economic recessions and recovers more slowly than other services as the economy improves. Ontario's tourism industry also faces some significant structural pressures, including aggressive competition from foreign travel destinations and fewer visits by tourists from the United States which constitutes Ontario's largest international market. The lower Canadian dollar is helping to restore Ontario's price competitiveness and to control its large travel deficit by restraining travel abroad. Output growth in this sector is expected to be lower than the economy-wide average.

Business Services Sector²

Ontario's export and consumer-related sectors rely on inputs from the business services and other "intermediate" sectors -- non-residential construction and industrial materials. These sectors play a key enabling role in the smooth functioning and competitiveness of our economy.

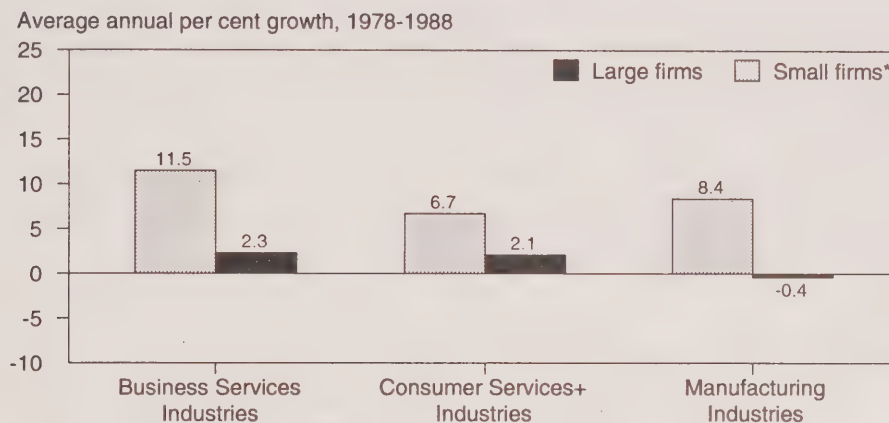
The business services sector, accounting for one-fifth of Ontario's employment, benefits from the province's favourable position as a location for corporate head offices and as a leading financial and air transportation centre. Business service sector exports are a major source of strength for Ontario. Exports to other provinces in 1992 are estimated to be about

² The Business Services sector includes traditional business services (accounting, legal, advertising, other office services, printing and publishing), financial services (banking, trusts, insurance, securities) and transportation, utilities and communications services.

\$15 billion, and exports to other countries accounted for over \$6 billion. These exports are led by insurance and finance, transportation services and communications.

Since the early 1980s, pressures to improve efficiency have prompted many large corporations to contract out various business service needs, often to small, specialized firms. As a result, employment in small business service firms grew strongly by 11.5 per cent per year in the 1980s.

Employment Growth in Small and Large Firms, 1978-1988



* Under 100 employees

+ Retail and wholesale trade, accommodation, food, recreation and personal services.

Sources: Ontario Ministry of Economic Development and Trade and Ontario Ministry of Finance estimates

Strong export-based growth in Ontario's manufacturing sector will provide a major source of demand for business services. Every dollar of manufacturing exports generates 39 cents in demand for business service inputs such as transportation and marketing. Recovery in consumer-based service industries, such as retailing, accommodation and food, will also provide opportunities for growth for business service inputs and help consumer industries to become more efficient.

Output in the financial and business services sector is expected to grow by an average of 4.6 per cent annually from 1994 to 1997, somewhat faster than the economy as whole. However, growing competition and pressures to raise productivity are forcing many large firms in the business services sector to restructure their operations. As a result, employment growth will again be led by small firms in fields such as advertising, accounting and security services. Overall employment growth will be only 1.5 per cent annually, reflecting strong productivity increases for the sector.

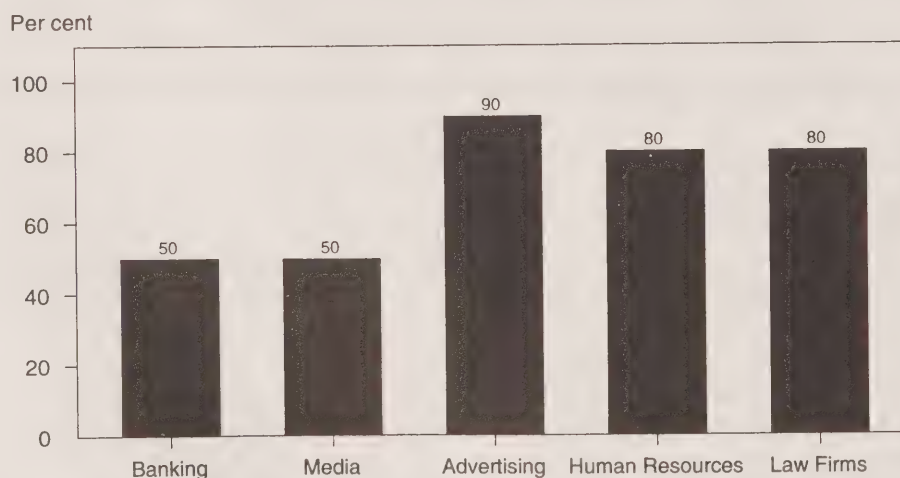
1993 Ontario Economic Outlook

Toronto -- Strength in Services is the Key to Renewal

Despite experiencing severe economic difficulties in this recession, the Greater Toronto Area is a commercial centre which will continue to build on fundamental strengths in a range of business and consumer services.

- The area has long been a favoured head office site by national and international firms. This has supported the development of specialized business services in many areas including finance, law, and information technology.
- Toronto also features a diverse cultural industries sector, with particular strength in book and magazine publishing and commercial theatre. The Toronto area generates one-third of all national cultural employment while accounting for only about 14 per cent of the national population.
- The area's broad range of cultural, retail and sports activities and facilities has made it an important tourist destination. In 1989, one-third of combined local and international tourist spending in Ontario occurred within Metro Toronto.

Toronto's Share of Canadian Top 10 Business Services Head Offices, 1993



Source: Financial Post

Sector Highlights

Banks and trust companies should see growing demand in both domestic and foreign markets. Demand for trust, fiduciary and financial planning services is growing, reflecting the interests of an aging population in saving for retirement. Canadian-based manufacturers and other companies are expanding their business activities in the United States and overseas markets, requiring export financing and other specialized financial services. However, employment growth in most financial service industries will be restrained by industry competition, new information technologies and restructuring pressures to streamline branch and administrative functions.

Changing technology in digital electronics and wireless communication is opening up new opportunities for market growth in *communications services*. Opportunities for growth exist in strategic alliances with communication carriers in other countries to share markets and technologies based on Canadian strengths in areas such as satellite technology. However, major carriers are also facing increasing competitive pressure to streamline their capacity and restrain employment growth.

Following strong expansion in the 1980s and a recessionary drop in demand, the capital-intensive *utilities and airlines* industries will experience a cyclical recovery in output, but will continue to streamline capacity and reduce employment. Increasing global competition is forcing air carriers to cooperate through international alliances to expand market access while lowering costs. Ontario Hydro is downsizing its workforce, restructuring operations, and pursuing markets for specialized services such as consulting for international energy construction projects and technology development.

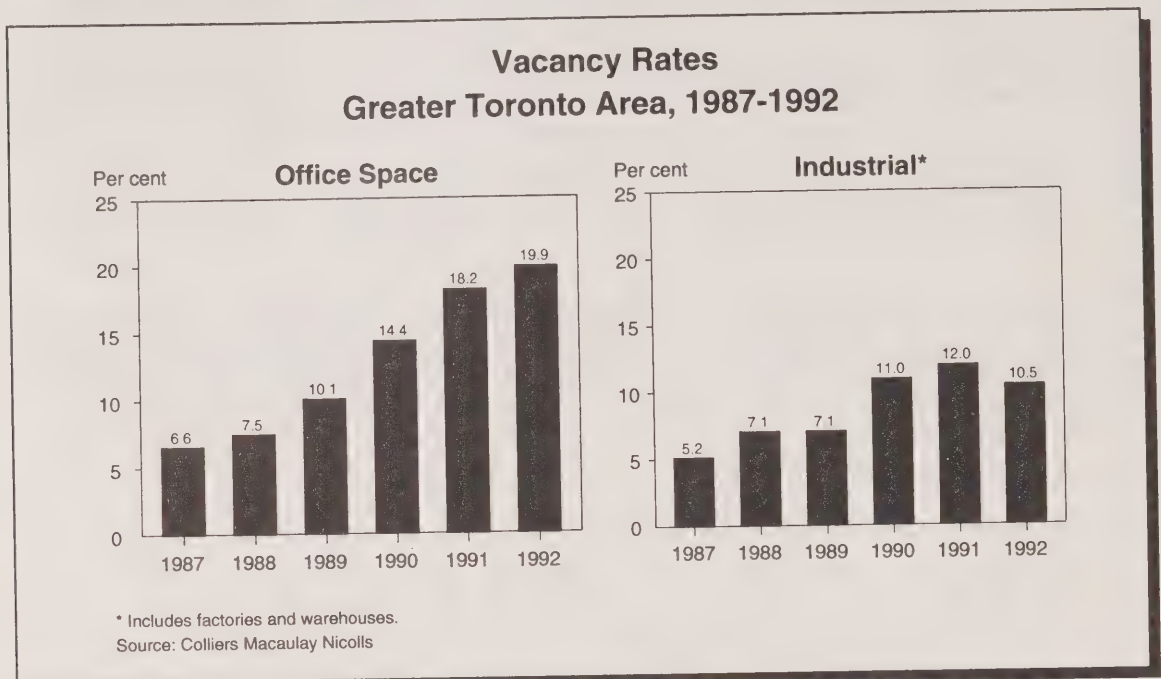
Trucking and railways will participate in the economic recovery, and compete more effectively for the growing trade between Canada and the United States. A new CN Rail tunnel at Sarnia and expansion of the CNCP Detroit Windsor River tunnel will increase freight capacity. Railways are improving their competitiveness by consolidating railway lines and downsizing their workforces. The trucking industry has already gone through extensive transformation as a result of deregulation in the 1980s, the Canada-U.S. Free Trade Agreement, and the recent recession. Many trucking firms have improved their competitiveness versus U.S. carriers and are developing inter-modal alliances with railways to improve efficiency in long-haul freight traffic.

Non-Residential Construction Sector

The non-residential construction sector consists of commercial, industrial, infrastructure and institutional construction. This sector accounts for over one-third of total construction spending in Ontario. Housing construction accounts for the rest. Non-residential construction directly employs about 100,000 people. The sector has links with many other sectors of the economy, including the design and development of construction projects, the manufacture of building materials and the provision of real estate services. Further declines in non-residential construction are expected through 1994, with modest growth beginning in

1993 Ontario Economic Outlook

1995 and over the remainder of the forecast period. Below average growth is attributable to continuing high vacancy rates in both commercial and industrial property markets.



High levels of *commercial construction* during the late 1980s were linked to low vacancy rates and high growth in the financial and business services sectors. Currently, commercial space far exceeds demand in the Greater Toronto Area and in many cities in Canada and the United States. Vacancy rates are expected to decline slowly over the medium term since many new commercial projects have been cancelled or postponed and new demand will absorb some of the excess supply. New activity is expected from customized projects such as entertainment and sports facilities. Multi-use projects, combining residential, commercial and institutional space, such as the York City Centre project, will add to the base of activity.

Low levels of demand in *industrial construction* activity reflect company downsizing during the recession and changing tenant needs. Productivity-improving techniques, such as just-in-time inventory, have also reduced manufacturers' space requirements. Industrial construction is beginning to show some signs of recovery. Repair, re-development and demolition, along with small increases in demand, reduced vacant space by 13 million square feet in Toronto in 1992. This signals a movement to more balanced market conditions.

Infrastructure and institutional projects will play a large role in non-residential construction activity over the outlook period. Planned private infrastructure projects include the CN rail tunnel from Sarnia to Port Huron and capital expansion by Bell Canada. The three new Crown Corporations -- the Ontario Realty Corporation, the Ontario Transportation Capital Corporation and the Ontario Clean Water Agency -- will sponsor a solid base of engineering construction. The **jobsOntarioCapital** program will assist the development of strategic capital projects.

Industrial Materials

Industrial materials are intermediate manufactured goods used as inputs to produce final goods. The sector includes manufacturers of steel, chemicals and plastics as well as petroleum refiners. Industrial materials account for one-fifth of Ontario's manufacturing shipments. Roughly one-quarter of production is exported.

Industrial materials output is projected to grow moderately at 3 to 4 per cent per year during the 1994 to 1997 period, while Ontario's manufacturing output is expected to grow by an average of over 5 per cent. This moderate growth reflects slow growth in important markets such as non-residential construction. Also, about 70 per cent of petroleum refineries' output is gasoline, diesel, jet fuels and heating oil -- areas where improving fuel efficiencies mean little growth in consumption. Employment is expected to expand moderately in chemicals and plastics, while some additional losses may occur in steel and petroleum refining.

Sector Highlights

Chemical manufacturing activity has remained relatively buoyant. Ontario's chemical manufacturing is oriented to the domestic market. However, exports, currently accounting for about one-quarter of shipments, are becoming more important. With the increasing integration of the North American chemicals market, Canadian subsidiaries of large multi-national chemical companies are vying for the rights to produce larger runs of a narrower range of products. Moderate growth in output is expected over the medium term, but with little increase in employment.

Ontario *steel* producers are experiencing a cyclical improvement in demand and prices, particularly from the automotive sector, but the longer-term trend in North America is toward declining steel usage as manufacturing becomes less material intensive, and as plastics, aluminum and other materials continue to displace steel. Ontario's major integrated producers have reduced production costs, but will continue to face competitive pressures from newer, lower cost mini-mills and a global oversupply of steel. Over the last ten years steel industry employment in Ontario fell from 50,000 to 34,000, and further reductions are expected.

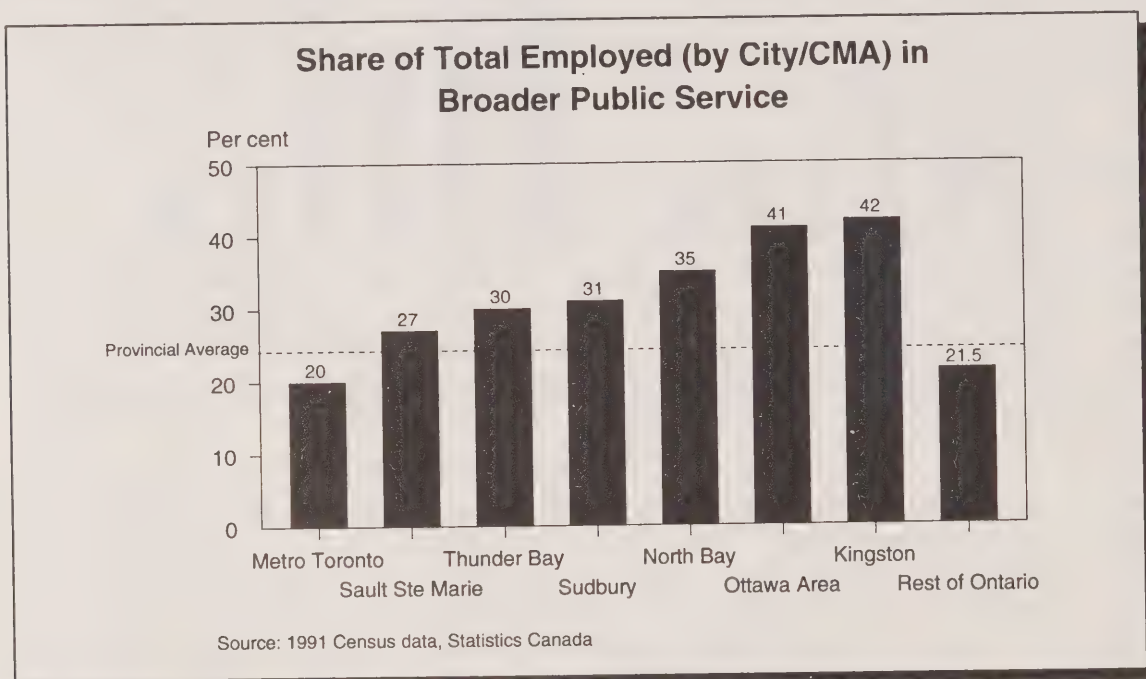
Petroleum refineries serve primarily the Ontario market, and have experienced flat demand levels for the past several years. Ontario has the disadvantage of higher-cost crude oil, and older, smaller scale refineries relative to those in the U.S. Gulf States and Alberta. The restructuring of the industry towards higher value-added products with production volumes suited to Ontario-sized plants can be expected to continue for the next several years.

The *plastics* industry experienced rapid growth during the 1980s, reflecting increased use of plastics in packaging, autos and construction. While this growth in output is expected to continue, many Ontario plants tend to be relatively small scale and will undergo some further rationalization. As a result, employment growth during the 1990s will be slow.

Broader Public Sector

The broader public sector includes health, education, social services, and federal, provincial and local government administrations. It accounts for about one-quarter of Ontario's total employment.

During the 1980s, the sector expanded more than the rest of Ontario's economy. The Ontario and federal governments also decentralized some of their activities to diversify and stabilize employment in communities across the province such as Sault Ste. Marie, Thunder Bay, Sudbury and North Bay. These communities now display a relatively large percentage of local employment in public sector services.



The broader public sector continued to grow moderately during the recent recession, helping to offset some of the loss in employment in other sectors of the economy. With the economy now in recovery, all levels of government are looking for ways to improve productivity by restructuring their operations and delivering services more efficiently.

The medium-term outlook is for modest growth in public sector output. Efforts to achieve more efficient delivery of public services will limit employment growth over the forecast period.

- The Province's Social Contract for the broader public sector is designed to achieve \$6 billion in savings between 1993 and 1996, while raising productivity and preserving jobs.

Growing population and an increase in the housing stock will result in greater demands for basic community services such as schools, policing, health care and recreation.

- *Education services* will experience strong demand especially in the Greater Toronto Area in elementary schooling and adult education, particularly adult retraining.
- Demand for *community and social services* has increased with the recession and is expected to diminish only slowly over the medium term.
- *Health services* expanded rapidly during the 1980s, but currently face major restructuring pressures that will persist through the 1990s. With limited funding for health care, new approaches are being sought to meet changing needs and priorities. Hospitals, for example, are seeking ways to reduce duplication of services. More attention is also being directed towards community-based, in-home support to alleviate increasing demands on long-term care facilities.

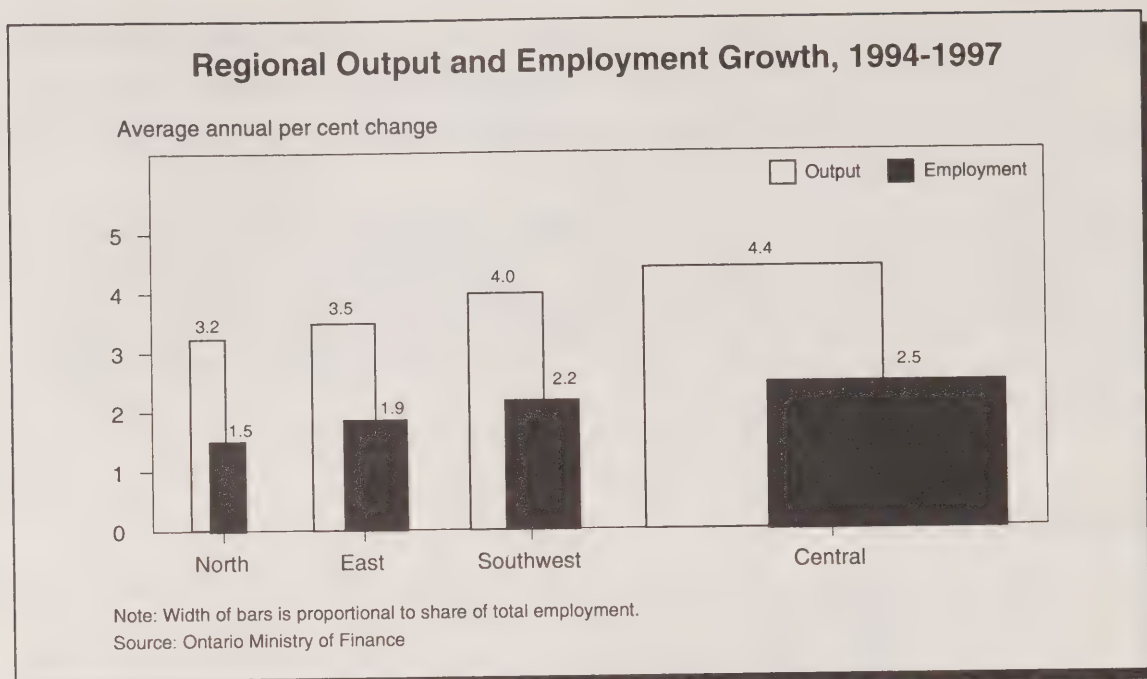
Regional Outlook

Central Ontario encompasses two-thirds of Ontario's population. It includes the Greater Toronto Area, and extends to Peterborough in the east, Muskoka in the north, Kitchener-Waterloo in the west and the Niagara Peninsula in the south. The region experienced very strong growth in the late 1980's, but the recession brought an abrupt end to its booming construction activities and exacted a heavy toll on many of its manufacturing industries. Unemployment rates in Central Ontario, and the GTA in particular, rose more rapidly than in other regions of Ontario, and currently exceed the provincial average.

Over the medium term, however, Central Ontario is expected to show relatively strong growth in output and employment. Manufacturing has undergone extensive restructuring to improve competitiveness. The auto and business equipment sectors in particular are experiencing strong growth in exports. In addition, residential construction is expected to gain momentum over the medium term. As economic activity in Ontario and the rest of Canada picks up, this will stimulate the region's large and important role as a provider of business services.

Central Ontario's rapid population and industrial growth during the late 1980s put tremendous pressure on existing infrastructure. Strategic investments in highways, communications, public transit, and water and sewage systems will not only have immediate employment benefits, but will also help to position the region for longer-term expansion.

1993 Ontario Economic Outlook



Southwestern Ontario is expected to experience moderate growth in employment and output. The region includes a significant share of the province's auto assembly and parts industries, and thus will benefit from their strong performance over the medium term. Growth will also result from new investment in manufacturing, such as Dimona Aircraft in London; in infrastructure, such as CN and CP's rail tunnels; and in tourism, particularly related to the Windsor casino project.

Eastern Ontario is heavily dependent on the broader public sector, which provides some 36 per cent of the region's jobs. While the sector has provided a firm economic base for the region in recent years, public sector employment is expected to show little growth over the next few years.

Significant developments are taking place in some other sectors of the region's economy. Advanced technology industries are experiencing rapid growth with Mitel and Bell Northern Research each investing over \$100 million in their manufacturing and research facilities. The Ontario Development Corporation is also working with the Regional Municipality and local companies to establish a life sciences research park. In Kingston, Dupont is expanding its nylon production capabilities and Queen's University is developing a bio-sciences centre.

Growth in *Northern Ontario* will be more modest than in other regions. This reflects the relatively gradual recovery expected in the region's resource-based sector which directly employs 16 per cent of the region's labour force and indirectly supports at least as many jobs in other sectors. International markets and competition will continue to be key to the region's prospects. However, new approaches to sustainable development, and local involvement in community economic development are taking on added significance in the region.

The North also has some significant industries outside the resource-based sector. One of these is Bombardier's urban rail transit equipment plant in Thunder Bay. The company is undertaking a \$41 million modernization of the plant, and employment is expected to increase to about 1000 by 1996. Another major employer is Algoma Steel in Sault Ste. Marie. Extensive restructuring of operations in recent years is helping to put the mill on a more competitive and viable footing.

Northern Ontario has also benefitted from the relocation of provincial forestry and mining offices to regional communities. The growth of electronic information and the speed of modern communications have enabled a number of northern communities to become data-processing centres for a variety of province-wide services: Revenue Canada's Taxation Data Centre and RxPlus, a private company processing drug benefit claims, in Sudbury; the Ontario Lottery Corporation in Sault Ste. Marie; and the Ontario Registrar General and the Ontario Student Loans Program in Thunder Bay.

jobsOntarioCommunity Action Supports Local Economic Development

The 1993 Budget announced the new **jobsOntarioCommunity Action** program which is giving local communities the resources and tools they need to undertake economic renewal activities. The program has an allocation of \$300 million over three years.

- **jobsOntarioCommunity Action** allows communities to have greater control over their own economic development in three ways:
 - by helping fund local economic planning and organization building activities;
 - by supporting capital projects which contribute to economic growth in the community; and
 - by encouraging local loans and equity investments in locally-based businesses.
- Nearly 200 projects have been approved since May 1993.
- About 1,500 jobs will be created through community projects in 1993-94.

1993 Ontario Economic Outlook

Chapter 4: Improving Job Opportunities in Ontario

Ontario's labour market is recovering from the recent recession with 101,000 net new jobs created since the recovery in employment began. Over the forecast period, employment growth will strengthen and the unemployment rate will decline. Job growth to 1997 is projected to be primarily in occupations requiring a higher level of education or training and offering good earnings potential.

Restructuring and on-going technological change demand new skill sets and new organizational and work arrangements. Businesses, workers and other labour market entrants alike will have greater opportunities where they are able to meet these challenges. Public and private sector efforts and resources to support training, re-training and labour adjustment will be essential to Ontario's future competitiveness and to helping workers find employment in the growth areas of the economy.

Ontario's Labour Market in the Recovery

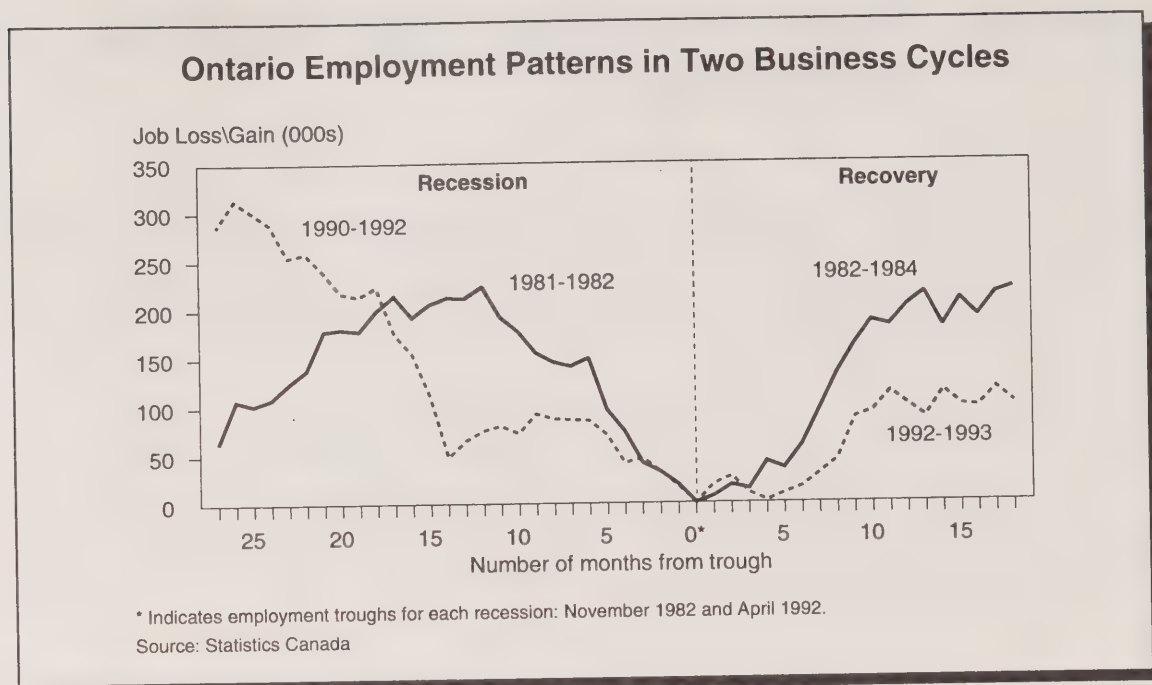
Impact of the Recession on Jobs

The recent recession was deeper and longer than the 1981-82 downturn and had a greater impact on Ontario than on the rest of Canada and the United States. Employment fell by over 300,000 jobs or 6.3 per cent between the employment peak in February 1990 and the trough in April 1992. Ontario accounted for 70 per cent of all jobs lost in Canada during the recession, up from 42 per cent in the previous recession. Three-quarters of Ontario job losses occurred in the Greater Toronto Area.

All of the net job loss occurred in the goods sector where employment declined by 18 per cent between 1989 and 1992. In contrast, employment in the service sector increased slightly, by 1.2 per cent. Because men comprise three-quarters of workers in the goods sector, they accounted for most of the jobs lost. Male job losses were concentrated in processing and construction occupations. Women lost the same proportion of their employment in this sector, largely in clerical and processing occupations.

The greater influence of structural factors in this recession is reflected in the increased duration of unemployment and in the greater share of layoffs accounted for by complete or partial plant closures.

1993 Ontario Economic Outlook



Job Creation in the Recovery

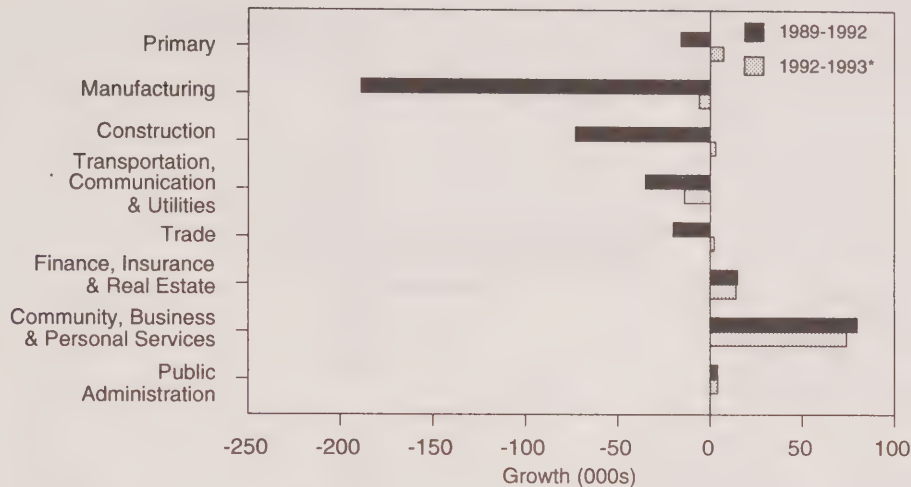
Since the recovery in employment began in May 1992, Ontario has gained 101,000 jobs, or about one-third of the jobs lost in the recession. Most new jobs have been created in 1993, marking the first annual net increase in employment, including full-time employment, since 1989. This year, major layoffs affecting 50 or more workers have been about half the level reported in 1992, providing another indication that the recovery in Ontario's labour market is under way.

Job creation is expected to be 88,000 in 1994 but will increase to an average of 124,000 jobs per year over the 1995 to 1997 period. The unemployment rate will decline through to 1997.

The service sector has dominated job creation in 1993. Most growth has occurred in the community, business and personal services industry. Employment in the goods sector is showing signs of recovery, with net full-time job increases registered in primary, construction and processing occupations.

Employment growth in the private sector accounted for 60 per cent of net new jobs this year. Most jobs were generated in the finance, insurance and real estate industry, and in personal and miscellaneous services within the community, business and personal services industry. The private sector's contribution to job creation will strengthen, particularly as the goods sector and related business services are expected to provide a larger share of the new jobs compared to the 1980s expansion period.

Recent Trends in Ontario Employment by Industry



* Compares first ten months of 1992 and 1993.

Source: Statistics Canada

The public sector accounted for 40 per cent of net new jobs this year, a proportion that is almost double its share of total employment. The public sector will increasingly be affected by restructuring over the medium term. Strong emphasis will be given to preserving employment, enhancing skills and improving services.

Managerial and professional categories have led occupational growth, accounting for 70 per cent of net new jobs in the current year. Most of these jobs are full-time and high-paying positions. Two-thirds of this growth has been in professional occupations, primarily in the public sector. Growth in managerial occupations has been concentrated in the private sector.

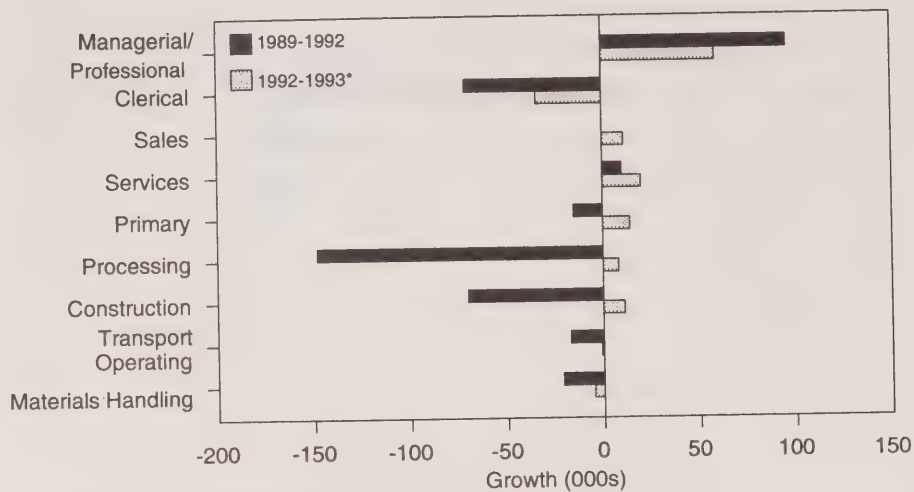
Overall, most occupational groups registered net growth this year. Clerical occupations have continued to post a net decline, primarily in full-time positions. This decline reflects the on-going change in the nature of clerical work driven by technological change.

Women have accounted for two-thirds of the gains in managerial and professional occupations. These substantial gains for women have been offset by the decline in traditional clerical positions. The potential for skills mismatches between displaced workers and new employment opportunities are evident in the pattern of women's job gains and losses.

Full-time job creation this year has been weaker than in past recoveries, accounting for 36 per cent of net new jobs, down from 92 per cent in 1984, the first year following the 1980s recession that registered net full-time growth. However, the *net* job creation numbers tend to mask the strength of full-time job creation. More *new* full-time than part-time jobs were created this year but, on a *net* basis, part-time job gains exceed full-time job gains because of the decline in full-time clerical positions.

1993 Ontario Economic Outlook

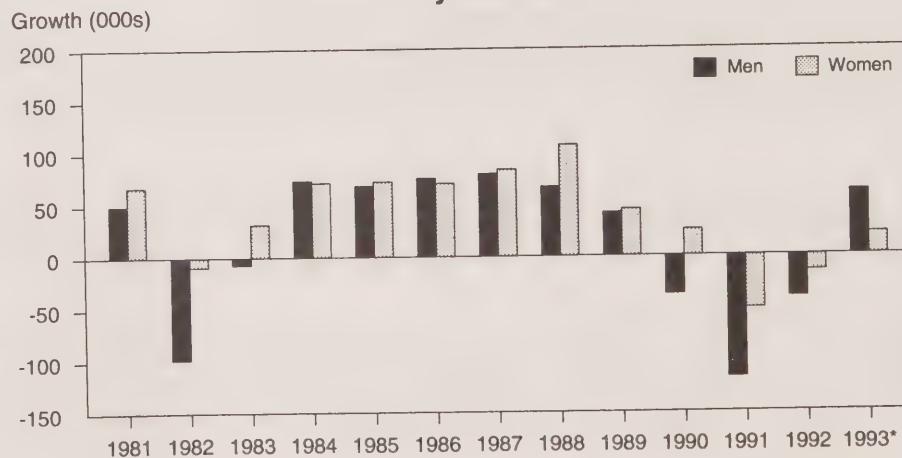
Recent Trends in Ontario Employment by Occupation



* Compares first ten months of 1992 and 1993.

Source: Statistics Canada

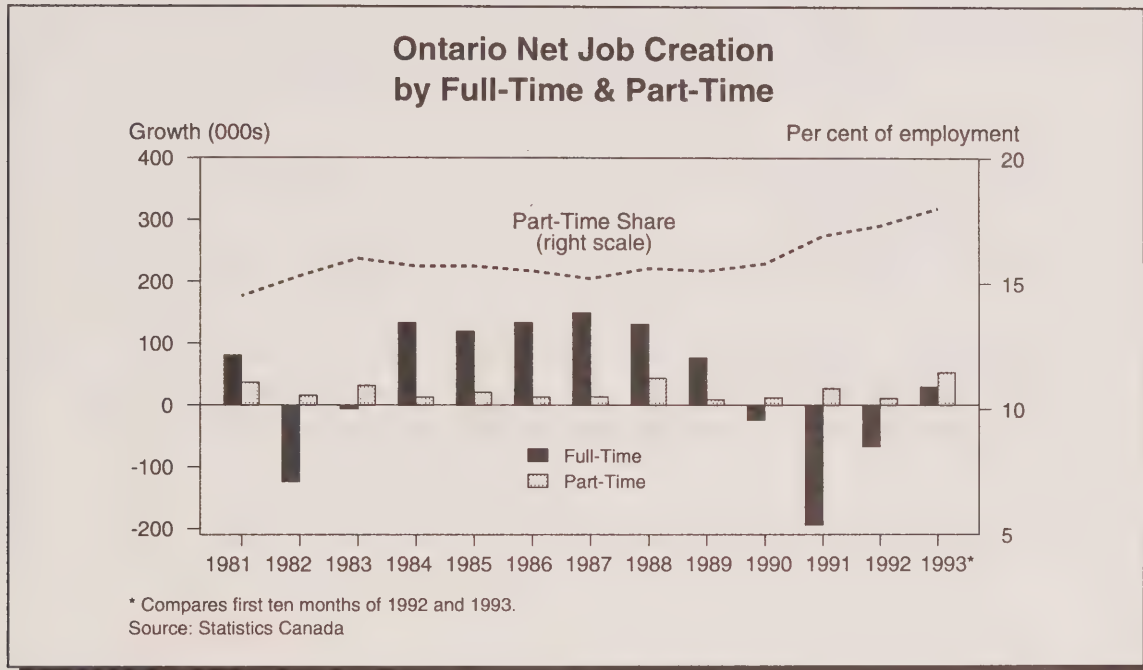
Ontario Net Job Creation by Gender



* Compares first ten months of 1992 and 1993.

Source: Statistics Canada

Job creation to this point in 1993 does not follow the regional pattern of job losses that occurred in the recession. Metropolitan Toronto and the rest of Central Ontario have 68 per cent of the unemployed but gained 31 per cent of total jobs created so far this year. Most job creation has occurred in Southwestern Ontario – 39 per cent of new jobs compared to 12 per cent of the unemployed – and in Northern Ontario – 24 per cent of new jobs compared to 8 per cent of jobless workers. Over the medium term, employment growth in Central Ontario is expected to strengthen.



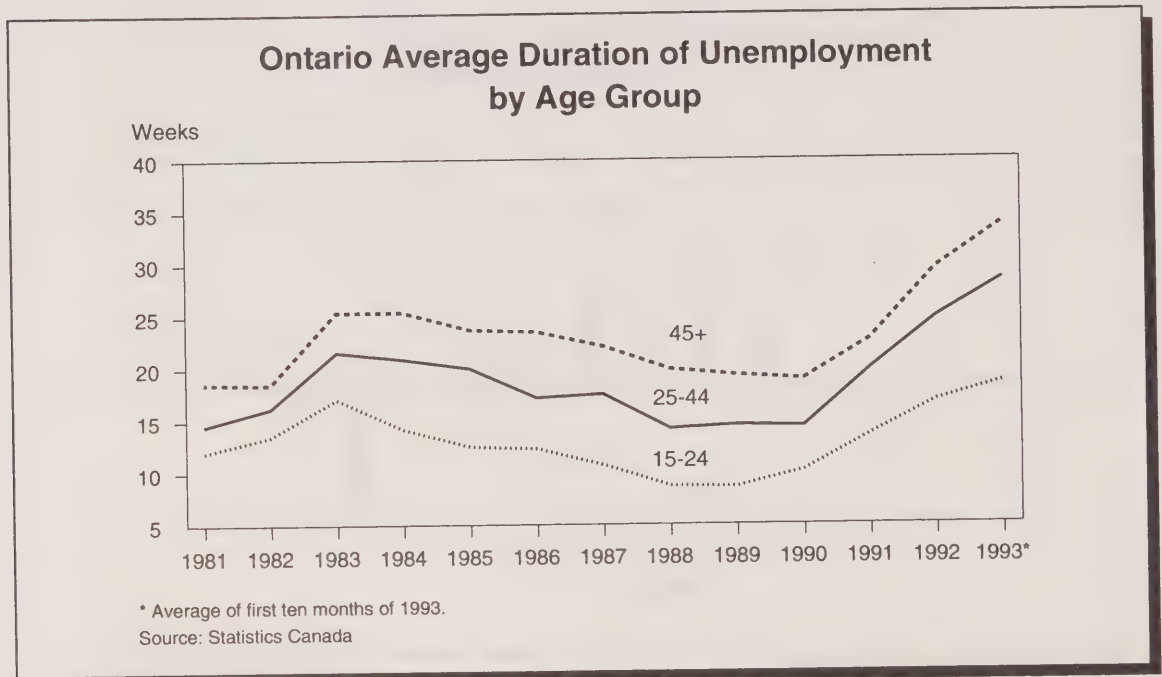
Long-Term Unemployment Indicates Structural Problem

The length of the recent recession and new skill requirements arising from changes in occupations and industries have contributed to an increase in the duration of unemployment for all age groups. This phenomenon is not unique to Ontario. Virtually every major industrialized country has experienced a growing incidence of long-term unemployment. Unemployment of longer than six months accounts for more than 50 per cent of total unemployment in most Western European countries and close to 40 per cent of total unemployment in Japan.

The rise in long-term unemployment underscores the need for a wider range of active labour market and labour market re-entry programs. Public investments in training and education as well as supports such as child care will assist the long-term unemployed to make the transition to permanent employment.

1993 Ontario Economic Outlook

The Province's most important priority is to reduce the high level of unemployment and, in particular, the high level of long-term unemployment. Unemployed workers are valuable resources who do not have the opportunity to contribute their skills to society. Those experiencing long bouts of unemployment suffer personal hardship and often see their workplace skills deteriorate. The Province has developed a number of programs to help the unemployed rejoin the workforce.



Supports for Adjustment and Re-employment

- The Government provides a variety of important programs and services to help workers adjust and find work. For example, TRANSITIONS provides training vouchers to help laid-off older workers retrain for new employment, while under the Program for Older Worker Adjustment, the Province and the federal government provide special income support to laid-off workers age 55 and over. The Ontario Employee Wage Protection program – the first of its kind in Canada – provides income support to workers who have wages owing from firms that are bankrupt or insolvent.
- The Province offers programs that will help over 80,000 young people this year acquire jobs, training and educational upgrading. For example, the **jobsOntarioYouth** program helped 10,000 employment-disadvantaged youth obtain jobs and valuable work experience this past summer. The FUTURES program will help an estimated 27,000 young people throughout the year.
- The Province's **jobsOntarioTraining** program matches long-term unemployed workers and social assistance recipients with companies that will train them for new jobs. Companies that participate receive up to \$10,000 to train each new employee and upgrade the skills of their existing workforce. More than 22,000 people have been placed in jobs to date.

Wage Trends

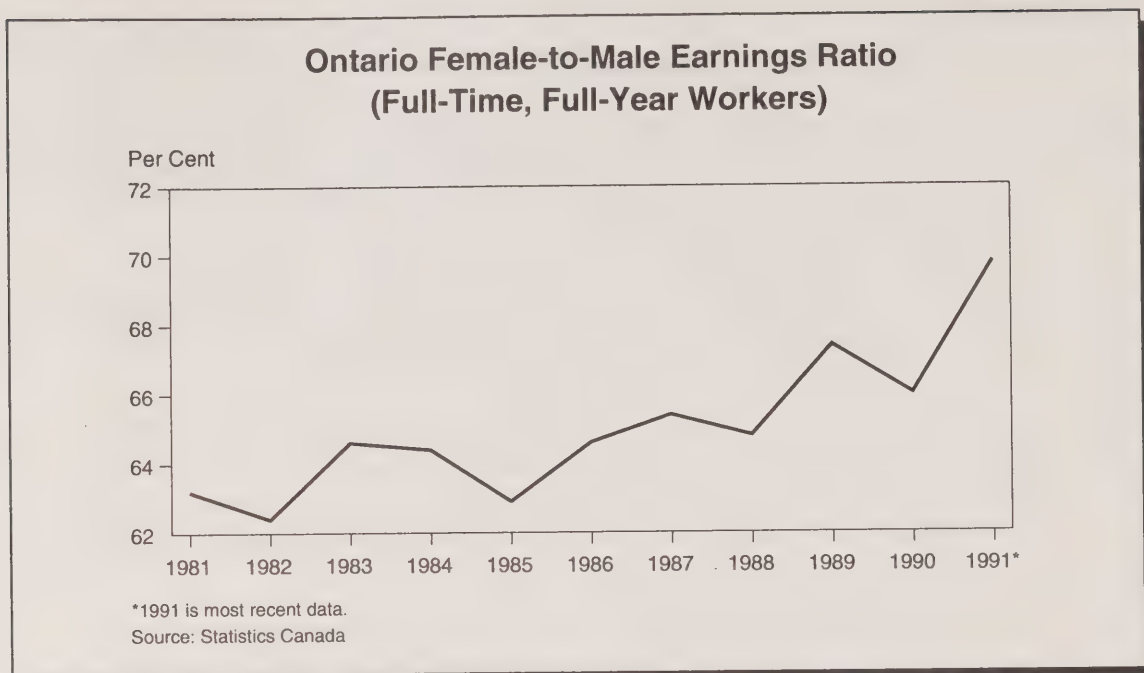
Over the last decade, modest productivity gains and economic restructuring contributed to marginal real earnings growth. From 1983 to 1992, average earnings increased by 4.8 per cent annually but by only 0.4 per cent in real terms. The public sector experienced real earnings gains of 0.8 per cent annually compared to 0.2 per cent in the private sector.

In the first eight months of 1993, both earnings and wage settlement increases in collective agreements have moderated relative to the previous year. Wage settlement increases, in particular, are running below inflation. Fully 50 per cent of the agreements ratified in 1993 contain wage freezes or rollbacks.

Wage growth in the next few years will be constrained by continuing unemployment, anticipated low inflation, cost-cutting by employers and wage restraint in federal administration and in the province's broader public sector.

Women have seen an improvement in their earnings over the last decade, especially during the recession. In 1991, Ontario women working full-time, full-year earned an average of 70 per cent of the average salary of men, up from 63 per cent in 1981 and 66 per cent in 1990.

1993 Ontario Economic Outlook



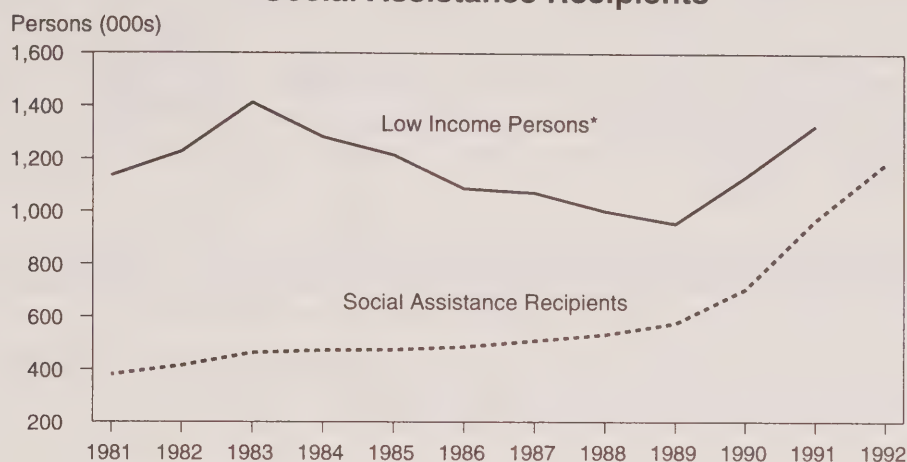
Poverty and Social Assistance

The rise in unemployment in the recent recession contributed to an increase in poverty in Ontario. The number of low income persons rose from 9.4 per cent of Ontario's population in 1989 to 12.7 per cent or over 1.3 million persons by 1991, the most recent year for which data are available. Almost three-quarters of low income persons were in families, accounting for about 11 per cent of economic families in Ontario. Close to one-half of these families were headed by a single parent, of whom 95 per cent were women. The remaining low income persons were unattached individuals.

Social assistance caseloads increased throughout the 1980s before rising sharply during the recession. This pattern differed from that for low income persons which closely followed the economic cycle, declining during the last economic expansion and rising again during the recent downturn.

The impact of the recession on the social assistance caseload was exacerbated by federal government changes to Unemployment Insurance eligibility and benefit rules which put additional pressure on the Province's social safety net. Social factors such as changing family structure and increases in marital breakdown also contributed to the growth in the number of social assistance recipients.

Ontario Low Income Persons and Social Assistance Recipients



*1991 is most recent data for low income.

Source: Statistics Canada and Ontario Ministry of Community and Social Services

The increasing caseload tends to overlook the fact that there is significant turnover among social assistance recipients. For many recipients, social assistance is only a source of temporary emergency assistance. On average, 83,800 persons left social assistance and 90,600 new entrants began receiving benefits in any one month in the first three quarters of 1993. However, while some people are able to find work, many others are unable to find stable, full-time employment. A contributing factor to this problem is their low educational attainment – on average, two-thirds of adult recipients have less than grade 12 education.

One-half of low income households have work activity but many low income adults have increasing difficulty finding a full-time, full-year job. They rely on social assistance as well as other government transfers for most of their income as shown in the table below. During 1991, 61 per cent of all low income families (including one-half of low income single parents) and 38 per cent of low income unattached individuals worked. However, few held full-time jobs. Ontario's policy of graduated increases in the minimum wage is designed to increase the share of earned income for low income persons.

Participation in full-time work activity by low income persons dropped over the last decade. At the same time, reliance on social assistance by low income persons increased both in the number receiving social assistance and the share of income derived from these benefits. The greatest increase occurred for low income families.

Decreased workforce participation and increased dependence on social assistance among low income persons underscore the need to promote labour market re-entry to stable jobs.

1993 Ontario Economic Outlook

Sources of Income for Low Income Persons, 1991

(Percentage of Total Income)

	Earnings	Social Assistance Benefits ¹	Other Income ²
Families	38	25	37
Sole Support Parent Families	23	44	33
Unattached Individuals	26	13	61

1 Statistics Canada has noted that social assistance income tends to be under-reported. Under-reporting applies to those not reporting social assistance income rather than recipients reporting lower amounts than actually received. However, the under-reporting for the aggregate dollar amount and number of recipients appears stable over time.

2 Other Income includes government transfers such as UI, CPP, OAS and family allowance, as well as investment income.

Source: Statistics Canada, Survey of Consumer Finances, unpublished data

Creating Opportunities for Social Assistance Recipients

- The Government is pursuing a broad set of policies that will break the cycle of poverty for social assistance recipients by creating employment opportunities.
- **jobsOntarioTraining** is assisting social assistance recipients to find stable, full-time jobs. Two-thirds of participants in pre-employment training and one-third of persons placed in jobs through this program have been social assistance recipients.
- The Government is currently developing a broad reform of social assistance that will re-orient social assistance to a more active support system. An employment planning system – JOB LINK – will help adults make the transition to independence through a wide range of opportunities including education, training and job placement. In addition, changes to the structure of benefits will strengthen work incentives. In July 1993, the Ontario Government released a public paper entitled *Turning Point: New Support Programs for People with Low Incomes* which outlined the broad principles of reform.

Labour Market Outlook

The Changing Labour Force

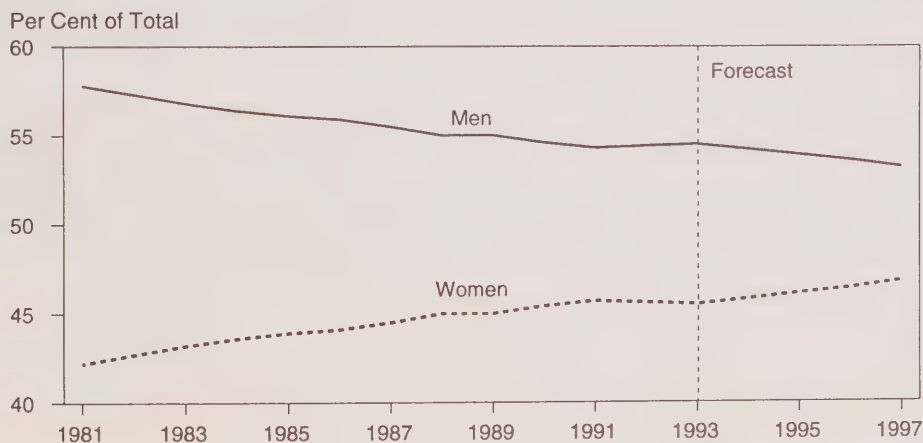
Over the 1994 to 1997 period, Ontario's labour force is expected to grow at an average annual rate of 1.8 per cent from its current level of 5.4 million. About 102,000 people will join the labour force each year over the next four years. This rate is similar to the 1.9 per cent recorded over the 1980s and slower than the 3 per cent averaged through the 1960s and 1970s.

The composition of Ontario's labour force is changing. This reflects changing patterns of labour force participation, the aging of the population and continuing high levels of immigration.

Women's share of the labour force is currently 46 per cent, up from 43 per cent in 1982. It will rise to 47 per cent by 1997. Women's increasing attachment to the labour force is demonstrated by the growth in participation of women with pre-school children. In 1992, the participation rate for this group was 64 per cent, up from 55 per cent in 1982. Growth in labour force participation has been most pronounced for married mothers with pre-schoolers. However, the participation rate for single mothers with pre-school children has fallen.

The long-term downward trend in male participation rates was accentuated by the recession. Today, three-quarters of men aged 15 and over take part in the labour market, down from 79 per cent in 1982.

Ontario Labour Force by Gender



Sources: Statistics Canada and Ontario Ministry of Finance

1993 Ontario Economic Outlook

As the baby boom generation grows older, workers aged 45 and over will be the fastest growing component of the labour force. This group is projected to represent almost 31 per cent of workers by 1997, compared to 29 per cent in 1993. Prime-age workers (25-44) will continue to represent over one-half of the labour force, while the share of youth will remain at its historically low 17 per cent share.

Immigration is expected to continue to be a major source of labour force diversity and growth in Ontario. Over one-half of immigrants plan to enter the labour force upon arrival in Canada. In general, the educational attainment of immigrants is similar to that of the overall workforce but language training will remain an important requirement.

Employment equity groups – Aboriginals, persons with disabilities, racial minorities and women – will account for more than 60 per cent of the labour force by the end of the decade, up from 57 per cent in 1991. More than three-quarters of workers belonging to these groups will be women, a portion of whom also will belong to other groups.

Promoting Fairness in the Workplace

- In addition to training and adjustment supports for the labour market, the Government establishes a regulatory framework for promoting change in the workplace. In recent years, the responsibility to set standards for fairness in the workplace has meant ensuring that the diverse composition of our communities is reflected in the workplace.
- The *Pay Equity Act* is designed to redress gender-based discrimination in compensation practices. The central principle is that female and male jobs of equal or comparable value to the employer should receive equal pay. The Act covers all workplaces with ten or more employees.
- Ontario's Employment Equity legislation encourages fairness in the workplace by removing the barriers and disadvantages that the four groups designated under the legislation have traditionally faced in employment. The proposed legislation will encourage the full utilization of the abilities and potential of all Ontarians. The legislation will cover workplaces accounting for over two-thirds of Ontario's workforce.

Rising Educational and Skill Requirements

Significant changes in the industrial make-up of the economy and the ever-wider diffusion of technology will shift job creation in both the goods and services sectors to higher skill areas. Two-thirds of the new jobs that will be created by the year 2000 will require more than grade 12 education, reflecting the growing importance of strong foundation training. Apprenticeship, technical programs and college and university education will

become increasingly valuable. As this trend continues, opportunities will be more limited for workers whose skills do not match new job requirements. Rewarding economic futures will be tied closely to the acquisition of marketable education and skills.

Most workers will have to upgrade their skills in response to technological change and work reorganization. The momentum of technology diffusion in the workplace has risen in recent years, as demonstrated by the findings of a Queen's University survey.¹ The proportion of establishments reporting substantial technology-related job modification rose from 52 per cent in the 1980 to 1985 period to 64 per cent in the 1986 to 1991 period. The survey showed a three-fold increase in the number of employees working directly with computer-based technologies.

Where the Jobs Will Be

Based on the Canadian Occupational Projection System (COPS), job growth in Ontario to 1997 is projected to be concentrated in occupations requiring a higher level of general education or specific training and offering good earnings potential. Employment growth will be distributed across most major occupational groups.

About 40 per cent of job growth is projected to be in professional and managerial occupations, continuing the strong expansion these occupations experienced during the past decade. These positions are projected to arise across different sectors of the economy. Sales managers, general managers and systems analysts will account for many new positions. Above average growth is also projected for areas of finance, construction management, and electrical and mechanical engineering. In addition, there will be strong growth in jobs providing technical supports to professionals, such as paralegals or dental hygienists. Currently, the private sector accounts for about 80 per cent of managerial and 36 per cent of professional employment and is expected to account for most growth in these occupations over the medium term.

Fiscal constraints will temper employment growth in managerial and professional occupations in the public sector relative to recent years and relative to growth in the private sector. However, there will be pressures for growth in some public sector occupations over the medium term, for example, elementary and kindergarten teachers associated with growth in the primary school population in Metro Toronto, and some specialties of nursing reflecting the aging of the population.

1 K. McMullen, N. Leckie and C. Caron, *Innovation at Work: The Working with Technology Survey, 1980-91* (Queen's University, 1993).

1993 Ontario Economic Outlook

Recovery in the manufacturing and construction sectors will boost jobs in some of the occupations that were hard hit during the recession. Improved competitiveness in manufacturing industries will result in increased job opportunities for highly skilled machinists, industrial mechanics, and tool and die makers. Growth will be especially strong for occupations related to auto fabrication and assembly. A resumption in construction activity will generate demand for skilled tradespeople including carpenters, masons and construction electricians.

COPS forecasts that growth in service and sales occupations will be below the average rate for the economy but will nevertheless generate a substantial number of new positions over the forecast period. This growth will reflect renewed economic activity and consumer confidence as well as demand for services to families with working parents. Especially strong growth is expected for child care workers, chefs and cooks, and salespersons. Other service occupations are being affected by new and emerging technologies and changes in work organization, such as computer telephone services, computerized check-out capabilities and automatic tellers.

Clerical jobs declined in the recession and in the recovery to date but are forecast to experience about average growth over the medium term. Growth will be stronger for data processors and for clerical workers in business services. Over the medium to long term, developing technologies such as data scanning, direct dictation to computers and voice mail, as well as greater direct use of computers by managers and professionals, will continue to change the nature of clerical jobs.

Supporting Labour Market Change

Over the coming years, it will be essential for business, labour and the broader public sector to work together with the Government toward a common goal of investing in workers to ensure high-skills jobs for the future. Alliances will be particularly necessary to increase the quality and quantity of workplace training.

Ontario is in the advantageous position of having a labour force that is highly educated and productive by world standards. The proportion of the labour force with at least some post-secondary education has been rising, from 32 per cent in 1981 to 51 per cent in 1992.

Ontario's strong social and physical infrastructure, high quality of life, and highly educated workforce will help to attract the types of high-skill businesses which will keep Ontario competitive and improve the standard of living in the province.

Through its labour market policies and education system, the Ontario Government facilitates restructuring in the private sector, supports job creation and training, and prepares the province's youth for the workforce of the future. Ontario expenditures for education will total about \$8 billion this year, up 18 per cent from 1989-90. In addition, the Province will spend \$1.2 billion this year on training and adjustment programs, up 77 per cent from 1989-90. This spending supports a broad spectrum of trainees including youths, apprentices, people lacking literacy skills and laid-off older workers.

New Initiatives in Education and Training

- This year, the Ontario Training and Adjustment Board (OTAB) has assumed management of provincial training and adjustment programs with a combined budget of about \$440 million. OTAB brings together labour, business, under-represented groups and community perspectives to ensure that training and adjustment programs effectively meet the needs of Ontario's workers and the labour market.
- The Province has established a Royal Commission on Learning which is holding a series of public forums with parents, employers and educators to discuss appropriate roles, responsibilities and options for improving Ontario's education system. The Commission will make its recommendations by the end of 1994.
- The Province has also negotiated sectoral training agreements with industry, labour and the federal government to provide training and skills upgrading for 37,000 workers in the electrical, electronics, auto parts, and steel sectors.

The workplace is increasingly the locus of training and re-training. The 1991 *National Training Survey* found that 70 per cent of private sector firms across Canada provided some kind of formal training, and an estimated 36 per cent of private sector employees received such training. While the survey showed there is substantial and growing activity in this area in Canada, it also highlighted that there is room for more strategic investments in training by the private sector. While most firms offered some training, about 30 per cent said they were not doing as much as they would have liked, and four out of five had neither a training plan nor a training budget. Less educated workers may also be getting overlooked for training in favour of their better educated co-workers. For example, literacy training was low and training opportunities for supervisory staff outpaced those for technicians or tradespeople.

Restructuring not only demands changes in workers' skills, it also requires changes to the organization of work. The way in which jobs are designed and organized affects the ability of firms to adopt new technologies and to provide consumers with high quality products and services. New co-operative labour/management structures will be required so that employers and employees can share the responsibility for restructuring and continuous improvements in productivity.

Ontario Support for Job Creation

Ontario has developed a wide range of programs designed to facilitate labour market re-entry and to generate jobs in different sectors of the economy.

- **jobsOntarioCapital** spending of over \$600 million this year will generate more than 10,000 jobs in strategic infrastructure programs.
- A 10-year capital investment program with three new Crown corporations will renew vital infrastructure in partnership with municipalities and the private sector, generating over 100,000 jobs.
- **jobsOntarioTraining** provides training grants to private sector firms to employ social assistance recipients and the long-term unemployed. More than 22,000 new jobs have been created to date.
- **jobsOntarioCommunityAction** is a three-year, \$300 million program to support job creation through community economic development. The Community Loan Fund program will provide small-scale loans to help the unemployed and entrepreneurs start their own business.

Ontario provides other active labour market programs and services to support jobs:

- **Youth**
 - **jobsOntarioYouth**
 - Environmental Youth Corps
 - Youth Employment Counselling Centres
 - Secondary School Workplace Apprenticeship Program
 - FUTURES
- **Adult Training**
 - Ontario Skills
 - Apprenticeship
 - Sectoral Agreements
 - TRANSITIONS
- **Entrepreneurship**
 - Youth and Student Venture Capital
 - Centres of Entrepreneurship
 - Ontario Investment Fund
- **Adjustment Assistance**
 - Employee Wage Protection Program
 - Program for Older Worker Adjustment
 - Help Centres

Chapter 5: Restructuring for Growth and Jobs

The Nature of Structural Change

Structural change is reshaping national and regional economies throughout the industrialized world. Without it, the productivity gains that improve competitiveness and raise living standards could not happen. However, the adjustment to structural change is sometimes wrenching. The costs of adjustment include both short-term job losses and longer-term mismatches between labour skills and job opportunities. This chapter focuses on the critical structural changes influencing Ontario's economic outlook.

Like other jurisdictions, Ontario is confronting the adjustment challenges created by the combination of structural change and a slow cyclical recovery characterized by high unemployment and reduced growth in government revenues. Despite these challenges, there are signs that Ontario is realizing important gains from structural change.

Structural change consists of dynamic processes that lead to long-term changes in the composition of employment and output in the economy. It also consists of changes in the manner in which output is generated and where it is produced. Structural change both enables and requires productivity improvement. It can be distinguished from shorter-term cyclical movements by its enduring character and by its association with changes in production methods, corporate strategies, the organization of markets, and the institutions that govern economic activity.

Intense periods of structural change can alter the path of output growth, both in the short and long term. Adjustment to structural change generally entails short-term costs that reduce the rate of economic growth in comparison to what would have been achieved in the absence of structural change. Yet such adjustments can provide the basis for longer-term output gains that also would not have been realized in the absence of structural change.

Structural and cyclical changes interact. Cyclical changes in supply and demand conditions affect both the pace and composition of structural change. In periods of economic expansion, the positive effects of structural change tend to outweigh the negative effects and adjustment takes place more smoothly. In contrast, cyclical downturns tend to accelerate structural change and make adjustment to it more difficult.

The structural trends in the Ontario economy are consistent with a moderate recovery built upon improved manufacturing competitiveness, growth in business services, and productivity-enhancing investment. Although increasing restructuring in the service sectors and the broader public sector will slow the recovery in its early years, these changes will produce productivity gains that are widely dispersed throughout the economy in the medium term.

1993 Ontario Economic Outlook

Critical Trends

Structural change has three determinants or root causes:

Technological change, which has precipitated major changes in production and marketing systems and in private and public sector organizations. The most important aspect of technological change is the continuing dramatic reduction in information costs and transmission times.

Long-term relative price and demand changes, such as declining prices and rising quality of computing equipment, declining commodity prices and material substitution, the entry of low wage countries into industrial production, and demographic changes.

Changes in the legal arrangements and institutions that define markets, including widespread liberalization of both investment and trade regimes.

These root causes interact to produce forces of structural change – dynamic processes that change the structure of national and regional economies. The forces behind structural change are mainly international in origin and scope, although domestic change processes can also be important. The most significant forces affecting Ontario's economic outlook are:

The globalization of production, which has increased the importance of transnational corporations and changed the international division of labour. Labour-intensive production is shifting towards lower-wage economies.

The increasing internationalization of consumer markets, which is creating opportunities for mass marketers reliant on economies of scale and for specialized producers focused on niche markets.

The rising information and technological content of industries and jobs, which in large measure accounts for the continuing increase in skill levels in the economy.

The re-invention and re-engineering of organizations, based on productivity-expanding applications of technology that flatten organizational structures and change the way they do business.

The growing integration of the Great Lakes economies, including Ontario. The Canada-U.S. Free Trade Agreement accelerated this process and caused many firms to reassess their North American business strategies.

The internationalization of financial markets, which has reduced the importance of domestic capital markets for both private and public sector investment and borrowing and facilitated the operations of transnational corporations.

Changing government policy towards regulated industries, which is affecting a wide range of industries, including telecommunications, financial services, utilities, airlines and trucking.

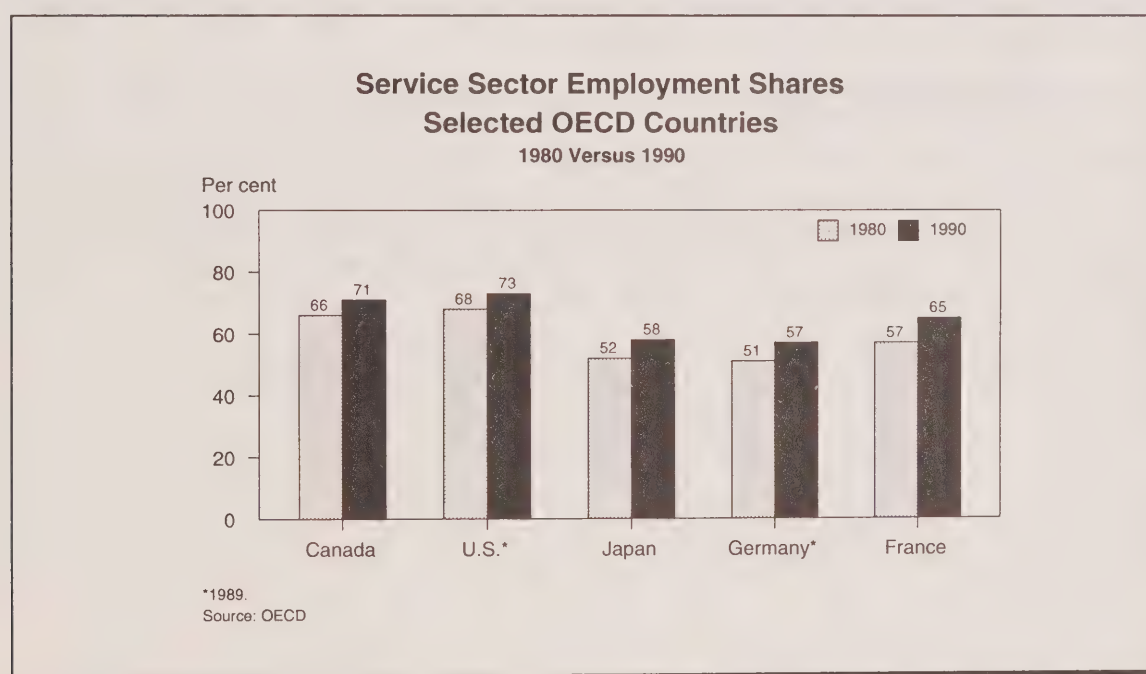
Growing environmental concern, which is affecting both production and consumption patterns.

Taken together, these forces have increased the intensity and pervasiveness of the international competition faced by Ontario companies and workers. Their impacts can be seen throughout the economy – in the rapid pace of change, in shifting trade patterns, in rising capital intensity, in the spread of change to previously shielded sectors, and in the changing sources of employment growth.

Positive restructuring requires the active involvement of governments to establish a supportive macroeconomic environment, public services to help firms, individuals and communities adapt, and policies to guide the economy towards higher value-added activities. The types of policies and programs that the government of Ontario is providing in these areas are described in Chapter 6.

Rapid Pace of Change

Structural change is a feature of all industrialized economies. A recent study of structural change in seven OECD countries, including Canada, concluded that all showed significant shifts in real output towards services and high technology manufacturing during the 1970s and 1980s.² Even manufacturing powerhouses such as Japan and Germany have been part of this trend.



Inter-sectoral shifts, however, are not the whole story. A Statistics Canada study found that more structural change takes place within sectors rather than between sectors, as

2 "Structural Change and Industrial Performance: A Seven Country Growth Decomposition Study," OECD, 1992.

successful companies grow and the less successful decline.³ Compared to the 1970s, rates of job gain, job loss and total turnover within sectors generally increased in the 1980s, indicating increased labour market volatility and an increased pace of adjustment.⁴

Restructuring Through Trade and Investment

The costs of structural change were particularly apparent during the recent recession, which coincided with the implementation of the Canada-U.S. Free Trade Agreement and the appreciating dollar. The benefits of structural change lie in the potential for productivity gains, which underpin growth in incomes and standards of living. These productivity gains are less visible and take longer to develop. Not every economy that restructures necessarily achieves productivity growth. However, the Ontario economy is showing signs of positive restructuring.

Trade and investment are key vehicles through which structural change processes are transmitted to national and regional economies. Three trends in Ontario's trade and investment patterns point to some positive restructuring of the Ontario economy: a shift towards export-oriented, higher value-added industries; a more capital-intensive economy; and more technology-intensive capital investment.

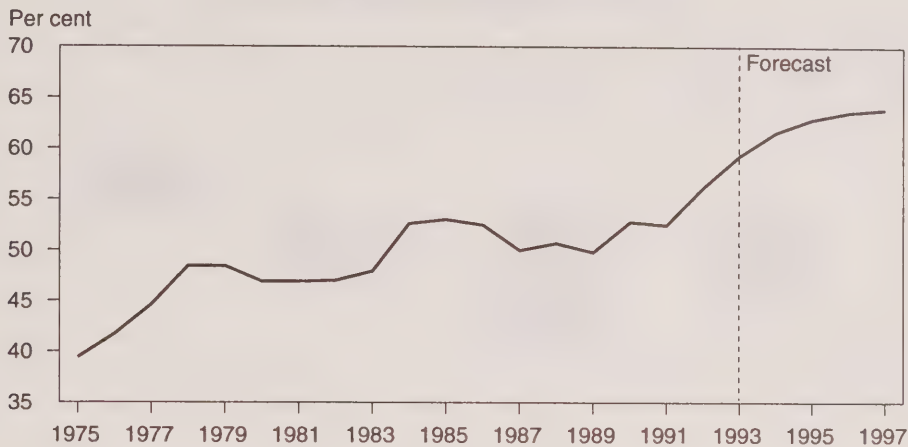
Shift to Export-Oriented, Higher Value-Added Industries

The Ontario economy is becoming more export-oriented. Real exports have been growing twice as fast as output since the mid 1970s. About 45 per cent of Ontario's total exports of goods and services in 1989 went to other provinces and the remaining 55 per cent was exported internationally. Ontario's goods exports are primarily international, while the province's service exports are primarily inter-provincial.

3 John Baldwin and M. Rafiquzzaman, "Structural Change in the Canadian Manufacturing Sector," Statistics Canada, 1993.

4 The job gain rate is the sum of jobs gained from new companies that enter the industry and existing companies that expand, divided by base year employment. The job loss rate is the sum of jobs lost from companies that exit the industry and existing companies that contract, divided by base year employment. The total turnover rate is jobs gained plus jobs lost minus the net change in jobs, divided by base year employment. It measures the change in jobs over and above the net change that would be required for an industry to reach its new employment level.

Ontario's Real Exports as a Share of GDP



Note: Exports include both international and inter-provincial exports
Source: Ontario Ministry of Finance

In the longer term, increasing export orientation is normally associated with rising productivity, as an economy specializes to capitalize on its competitive advantages. As the Ontario economy became more exposed to international competition, many Ontario firms upgraded their operations and adopted new technologies. For example, a 1989 Statistics Canada analysis suggests that firms that export more than 50 per cent of their shipments tend to use more advanced manufacturing technologies.⁵ A 1992 survey of small and medium-sized enterprises across Canada shows that the most successful are export-oriented.⁶

Ontario has been experiencing many of the short-term costs associated with increasing competition in the form of company rationalizations, plant closures and job losses. But the benefits of upgrading and shifting resources to more efficient uses are expected to translate into a more productive and competitive economy in the 1990s. Ontario's real trade balance is forecast to improve by \$1.2 billion in 1993, by \$2.5 billion in 1994, and to continue to improve over the 1995-1997 period. Both exports and imports will increase as a share of the Ontario economy because companies will continue to specialize in products and market niches where Ontario has a competitive advantage.

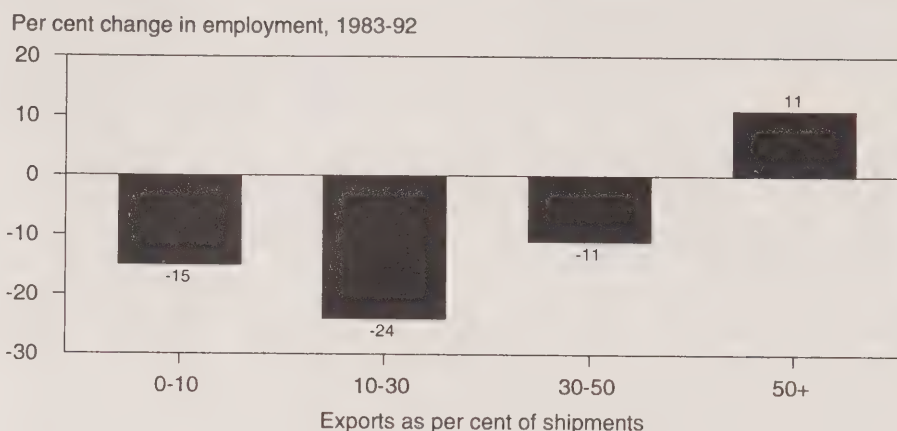
Increasing export orientation at the industry level is associated with better employment creation. Manufacturing industries with an export orientation of 50 per cent or higher increased employment between 1983 and 1992, whereas those with an export orientation of less than 50 per cent lost employment.

5 Indicators of Science and Technology: Survey of Manufacturing Technology 1989, Statistics Canada.

6 John Baldwin, "Strategies for Success: A Profile of Small and Medium-Sized Enterprises in Canada," Statistics Canada, Unpublished draft, August 1993.

1993 Ontario Economic Outlook

Employment Change and Export Orientation Ontario Manufacturing Sector



Source: Ontario Ministry of Finance estimates based on data from Statistics and the Ontario Ministry of Economic Development and Trade

The continuing high value-added composition of Ontario's exports is an indicator of positive restructuring. Ontario's merchandise exports remain concentrated in high-wage, high value-added sectors. In 1992, over 80 per cent of Ontario's merchandise exports were in sectors that are characterized by large production runs, product-differentiation, and research and development activities, rather than in sectors where factor endowments such as access to natural resources are important. As the table below shows, almost 60 per cent of Ontario's manufacturing exports are from industries in the top quintile of value added per worker, and only about five per cent originate from the bottom quintile. This ratio remained essentially unchanged between 1988 and 1992.

Share of Ontario Exports in Relation to Value Added

Value Added per Worker by Industry (1990)*	Share of Manufacturing Exports	
	1988	1992
First quintile	58	58
Second quintile	22	21
Third quintile	11	11
Fourth quintile	5	4
Fifth quintile	4	6

* In descending order of value added per employee.

Sources: Statistics Canada and Ontario Ministry of Finance

Changing Canada-U.S. Market Shares for Manufactured Goods

1981-83 Versus 1989-91

	Increase (billions of U.S.\$)	Growth (%)	Per Cent of Growth	
			Due to Growth in Market	Due to Increase in Market Share
Canada in U.S.	38	100	44	56
U.S. in Canada	33	85	76	24

Sources: Statistics Canada and Ontario Ministry of Finance

As the table above shows, exports to the United States grew rapidly between 1981-83 and 1989-91, and the majority of that increase came from gains in market share rather than an increase in the size of the U.S. market. In contrast, most of the increase in U.S. exports to Canada is attributable to growth in the size of the Canadian market.

In 1989, over two-thirds of Ontario's service exports were to other provinces. Ontario's strong base as a service provider to other parts of Canada has helped it to participate in the fast growing international market for business services. From 1960 to 1990, Canada's exports of business services increased at a faster rate than merchandise exports. During the mid-1980s, Canadian business service receipts averaged increases in the 10-15 per cent range. In 1992, business services receipts continued to expand, increasing by 6 per cent for a second consecutive year.⁷

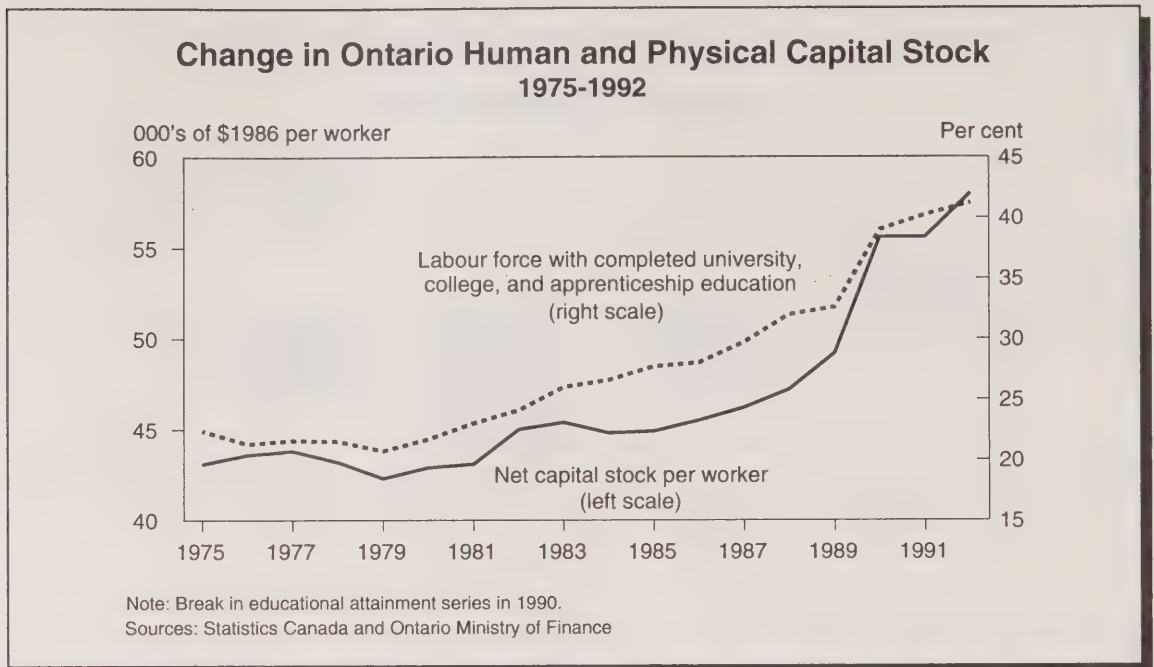
Increasing Investment

Rising productivity depends significantly on investment in both physical capital and a skilled labour force. Private and public investment increase both the quality and quantity of the economy's capital stock. A high quality capital stock and a highly skilled workforce are key elements of a high productivity economy.

In Ontario, real business-related and government capital investment grew from 10.5 per cent of GDP in 1971 to over 16 per cent in 1992, resulting in continuing growth in the capital stock. Between 1975 and 1992, the physical capital stock in Ontario grew faster than the economy as a whole, increasing by 77 per cent in real terms. It increased every year during that period, even through both recessions. In recent years, the capital stock per worker has been growing at an increasing rate. Ontario's physical capital per worker reached \$58,000 in 1992, a real increase of 34 per cent from 1975. During the same period, the quality of the province's human capital has also risen. The proportion of the labour force with completed university, college and apprenticeship education almost doubled from 22 per cent in 1975 to 41 per cent in 1992.

⁷ Canada's International Transactions in Services 1991 and 1992, Statistics Canada, 1993.

1993 Ontario Economic Outlook



Increasing Technological Intensity

Intensifying competition among industrialized nations and with newly industrialized countries is forcing advanced economies to restructure towards higher value-added products and services. Moving to higher value-added activities requires the latest in technology, much of which is embodied in the equipment purchased by businesses.

Not only is the Ontario economy becoming more capital-intensive, but capital investment is becoming more technology-intensive. This is happening in two ways: the share of business equipment (as opposed to plant) in both total capital stock and investment is rising, and the composition of business equipment investment is itself becoming more technology-intensive.

In 1971, real business equipment investment accounted for 40 per cent of total business investment in Ontario. By 1992, it had increased to 68 per cent. Between 1975 and 1992, the stock of business equipment capital per worker in Ontario more than doubled in real terms, rising from \$10,000 to \$21,000.

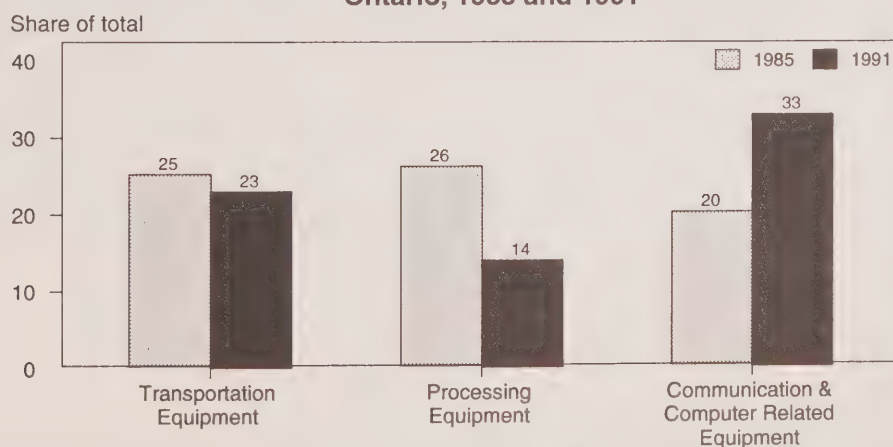
Real investment spending on business equipment is expected to grow significantly faster than overall growth in the Ontario economy during the forecast period. As a result, business equipment investment as a share of overall economic activity is expected to rise from 10.6 per cent in 1993 to about 12 per cent in 1997, continuing a long-term rising trend. The sustained increase in demand for business equipment investment in the 1990s reflects pressures to control production costs and improve productivity.

Business equipment is also becoming more technology-intensive over time. A growing share of business equipment consists of communication and computer-related equipment, which represented 33 per cent of business equipment investment in 1991, up from 20 per cent in 1985.

This trend can be explained by changes in the demand and supply conditions for business equipment:

- The price of business equipment has generally declined since the early 1980s. This is especially true for computer equipment, which has also experienced dramatic quality improvements.
- The changing composition of business equipment towards assets with shorter economic lives requires more investment just to replace obsolete capital.
- Increasing global competition has forced firms to modernize equipment in order to remain competitive. Both the goods-producing and service sectors are under pressure to modernize. Global corporations rationalizing operations are upgrading key facilities to fulfil world product mandates. Small and medium-sized companies exporting into niche markets require the latest technology.
- Environmental concerns are stimulating pollution-preventing investments in business equipment.
- Organizational changes to increase flexibility, adaptability and efficiency in all sectors of the economy are linked to widespread adoption of new and more user-friendly technologies.

**Change in Business Equipment Investment
Ontario, 1985 and 1991**



Note: The categories above account for about 70 per cent of total capital expenditure on business equipment.

The remaining 30 per cent consists of many small items and capital items charged to operating expenses.

Sources: Statistics Canada and Ontario Ministry of Finance

Sectoral Change and Growth

Both long-established and newly-emerging structural trends will affect the Ontario economy in the 1990s. Restructuring will continue in the manufacturing sector. However, the impact of structural change forces will spread to more segments of the commercial service sector and the broader public sector than in the past.

More Competitive, Higher Value-Added Manufacturing Sector

Restructuring in the manufacturing sector has been harsh and prolonged. Global competition, the Canada-U.S. Free Trade Agreement, high real interest rates and the appreciation of the dollar all increased the severity of restructuring during the recession. Approximately 232,000 manufacturing jobs were lost between the peak of manufacturing employment in July 1989 and the trough in March 1992. Manufacturing output declined by 11.7 per cent in real terms between 1989 and 1992. Only 8.2 per cent of the jobs lost have been regained so far, compared almost to one-third for the whole economy. Manufacturers have been unable to raise prices because of low inflation and global price-competition. As a result, they have focused on cost-cutting as the principal means to restore or increase margins, which is why job losses have been much greater than output losses.

The longer-term trend, however, is towards a more competitive, higher value-added manufacturing sector in Ontario. During the 1980s and early 1990s, the province's manufacturing sector restructured away from labour-intensive industries, which pay lower wages than other manufacturing industries and are subject to growing competition from lower-cost producers in newly-industrialized countries.

Ontario's manufacturing sector is restructuring towards higher-wage industries. Although employment fell across all manufacturing industries between 1983 and 1992, high-wage, export-oriented manufacturing industries were better able to preserve jobs through the recession. Scale-based, product-differentiated and science-based industries increased their share of employment while low-wage, labour-intensive industries lost many more jobs.

Ontario Manufacturing Performance⁸

	Labour-Intensive	Natural-Resource-Based	Product-Differentiated	Science-Based	Scale-Based
Major Competitive Factors	Labour costs	Access to natural resources	Tailoring products to varied demand characteristics	Rapid application of scientific advances	Length of production runs
Examples of Industries	Textiles, apparel, footwear, furniture, many fabricated metals	Food, beverages, tobacco, petroleum refining, cement and clay, many wood and paper products	All non-electrical and some electrical machinery, some plastic and metal fabrication	Pharmaceuticals, telecommunications, aircraft, scientific instruments	Autos, iron and steel, pulp and paper, rubber, printing, industrial chemicals
Employment Share % (1992)	16.2	22.3	14.0	12.7	34.8
Change in Employment Share % (1983-92)	-5.0	0.1	1.0	1.0	2.9
Earnings Level Index (1992)	100	118	122	135	135
Export Orientation % of Shipments (1990)	18.0	20.8	31.1	39.0	45.3

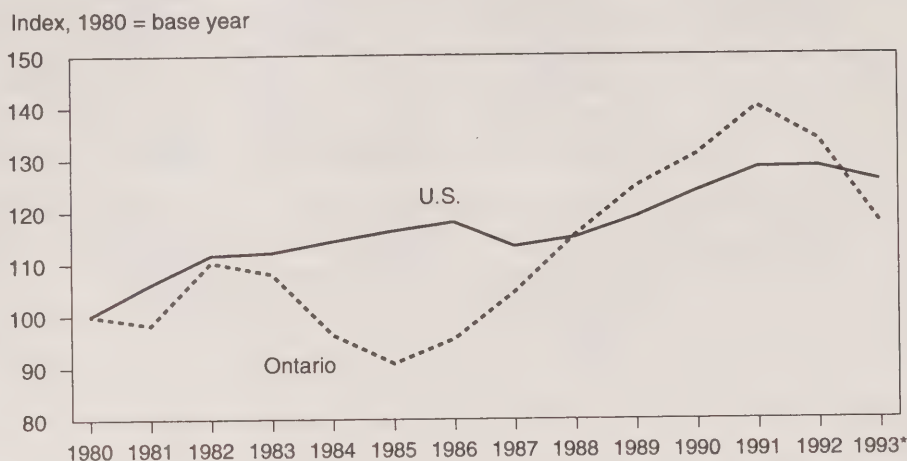
Sources: Ontario Ministry of Finance estimates based on data from Statistics Canada and Ministry of Economic Development and Trade

In addition, Ontario's unit labour costs performance relative to the United States has improved substantially in the last two years, after deteriorating significantly between 1985 and 1991. As the following chart shows, the relative change in unit labour costs after 1982 helped spur the economic expansion of the mid-1980s. Thereafter, unfavourable exchange rates resulted in a substantial appreciation of unit labour costs, which increased the pressure for restructuring at the same time as the effects of the Canada-U.S. Free Trade Agreement were beginning to be felt. Since 1991, unit labour costs have significantly improved relative to the United States, primarily as a result of the lower dollar.

⁸ The table is based on a modified OECD typology, which uses five broad industry groups. Natural-resource-based industries are primarily processors of domestic raw materials with high ratios of sales to domestic value-added. Labour-intensive industries have low capital to labour ratios, low wages, small plants and high tariff rates. Scale-based industries have large plants, high capital to labour ratios and high wages. Product-differentiated industries have high advertising to sales ratios, produce many products and spend more on R&D. Science-based industries have high R&D ratios, a large percentage of scientific and professional workers, large plants and high levels of concentration and foreign ownership.

1993 Ontario Economic Outlook

Change in Manufacturing Unit Labour Costs



*First and second quarter actual labour income (annualized); Conference Board estimate of 1993 GDP
Sources: U.S. Bureau of Labour Statistics, Statistics Canada and Conference Board

New Emphasis on Productivity Growth in the Service Sectors

Around the world, advanced economies have experienced extraordinary growth in the importance of service industries, particularly business services that provide intermediate inputs to goods producers and other service industries. In 1992, services provided 73.5 per cent of Ontario's employment, compared to 64.6 per cent in 1975. Structural change will have a much bigger impact on the service sectors in the 1990s than it has in the past. Three factors are contributing to a new emphasis on productivity growth in services, which has historically lagged productivity growth in primary and manufacturing industries.

First, the relationship between manufacturing and services is changing. A recent OECD study found that manufacturing and service industries are becoming increasingly interwoven.⁹ As advanced economies become more complex and differentiated, manufacturing industries are using more service sector inputs and service industries are using more manufacturing inputs. The interweaving of services and manufacturing is not restricted to intermediate inputs; final demand producers are increasingly bundling goods and services together to increase their value added.

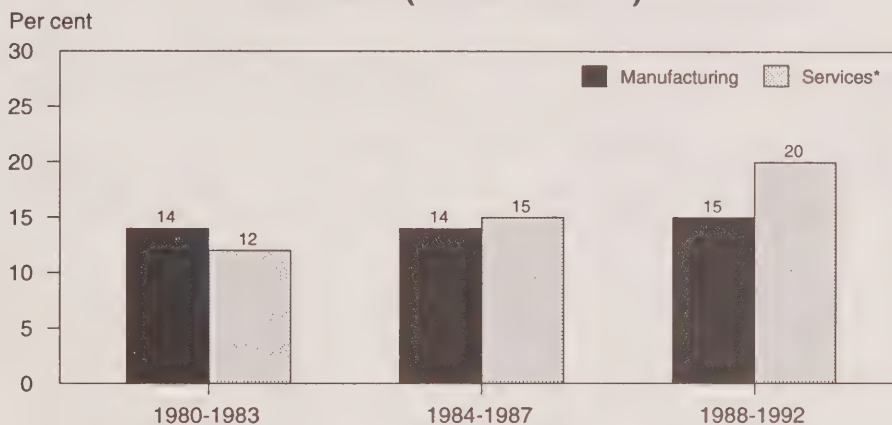
Second, service industries face greater exposure to international competition through both trade and investment. For example, imports of business services have been growing faster than merchandise imports, increasing their share of total imports from 4.7 per cent in 1975 to 6.2 per cent in 1992. In addition, growth in foreign direct investment in Canada has been faster in service sectors such as finance and merchandising than it has been in the goods

9 "Structural Change and Industrial Performance: A Seven Country Growth Decomposition Study," OECD, 1992.

sectors. The finance and merchandising sectors increased their share of total direct investment from 17 per cent in 1970 to 28 per cent in 1991.

Third, investment in the service industries is rising. Service sector firms' investment has been increasing as a share of the service sector's contribution to output. In the early 1980s, manufacturing firms invested relatively more heavily than service sector firms. This began to change in the mid 1980s, and by the end of the 1980s the trend was reversed. Most of the increase is attributable to strong growth in business equipment investment, which increased 308 per cent between 1980 and 1992.

**Ontario Real Business-Related Investment
As a Share of Each Sector's Contribution to
GDP (at Factor Cost)**



* Includes government capital investment

Sources: Statistics Canada, Conference Board and Ontario Ministry of Finance

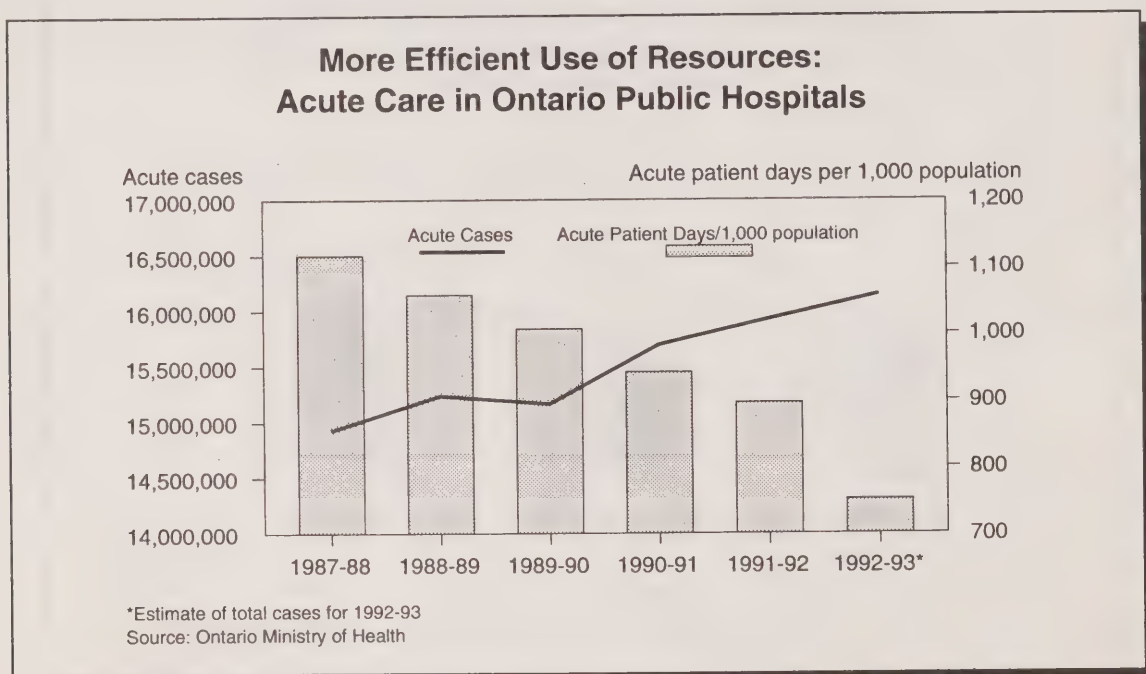
Increasing Efficiency in the Broader Public Sector

Just as the private sector has had to adapt, government also has to restructure to respond to new economic realities. The public sector has traditionally been shielded from the effects of structural change and economic downturns. This was true even for the recent recession, during which broader public sector employment continued to increase in response to demand for public services.

However, the recession resulted in an unprecedented decline in public revenues, which has persisted in the slow recovery. The deteriorating fiscal position of governments at every level and in many countries has acted as a catalyst for change in the public sector. Pressures for change also arise from new ways of doing business created by technological change, more recognition of the importance of the contribution of efficient public services to economic competitiveness, and changing demographics and public expectations. Restructuring in the public sector is characterized by a search for ways of raising productivity.

1993 Ontario Economic Outlook

Advances in information technology have reduced the cost of many administrative functions and created new possibilities for innovative delivery of public services. Some parts of the broader public sector have been able to apply new technologies to realize efficiency gains, especially in areas that process large volumes of data. Others have restructured their organization or service mix to achieve significant improvements. For example, the Ontario public hospital system has modified the way it delivers acute care service. Through the increasing use of day surgery, reducing the average length of hospital stays, and increasing the out-patient/in-patient ratio, the system has been able to reduce the number of acute patient days per 1,000 people by 33 per cent over the last five years while dealing with an 8 per cent increase in the number of acute cases.



In Ontario, the *Social Contract Act* is providing a framework to meet the challenges of restructuring within the broader public sector. The framework is designed to address immediate fiscal pressures, preserve jobs, increase the efficiency of service delivery, and develop new arrangements to manage the public sector's resources and relationships in the future.

The Social Contract was achieved through negotiated agreements that represented a significant departure from traditional mechanisms imposed unilaterally on labour markets. In addition, the Social Contract – covering eight sectors and 7,000 local plans and agreements – forms the foundation for new arrangements to involve employees and employers in guiding restructuring in the broader public sector.

New Labour Market and Productivity Commission

As part of the Social Contract, a new Public Sector Labour Market and Productivity Commission was established to facilitate necessary restructuring while minimizing service reductions and protecting jobs.

Through the Job Security Fund and Sector Training and Adjustment Committees, the Commission will take innovative approaches to restructuring:

- Employers and employees will be encouraged to examine approaches such as the consolidation of service delivery, streamlining, increased employee participation, service sharing arrangements and more flexible work environments.
- Sector agreements negotiated as part of the Social Contract provide for training and redeployment processes on a sector-wide basis to enhance employment security as restructuring proceeds.

Changing Employment Patterns

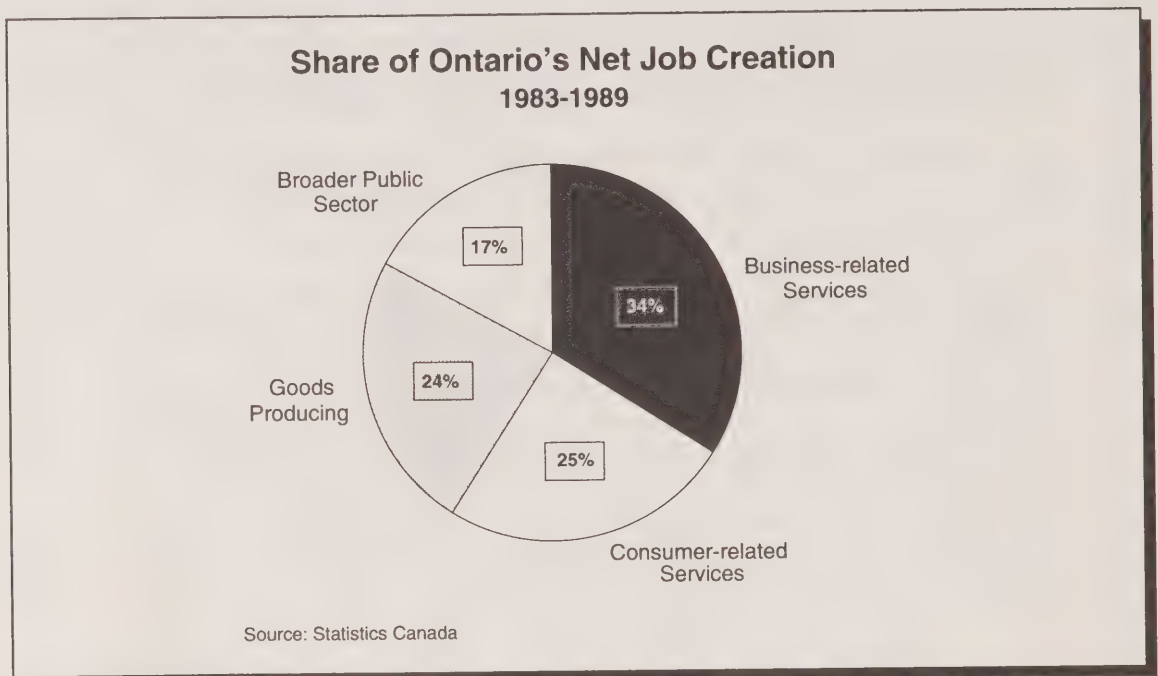
Changing Sources of Job Growth

Structural change will affect the pattern of job creation in the 1990s in two key ways. First, the wave of structural change sweeping much of the service sector will lead to more modest employment gains in services during the forecast period than during the 1980s expansion. The following chart shows the distribution of net job creation among business-related services, consumer-related services, the broader public sector and goods-producing industries during the 1983-89 economic expansion.¹⁰ Business and consumer-related services

¹⁰ Business-related services consist of business services, finance, insurance and real estate, transportation, communications and utilities, and wholesale trade. These industries are high value-added, provide valuable inputs into the production and distribution of goods, and are becoming increasingly exposed to international trade pressures. Consumer-related services include retail trade and personal service industries. Consumer-related services tend to be lower value-added and in the past were largely insulated from international competition. The goods-producing sector consists of primary industries, manufacturing and construction. The broader public sector consists of direct employees of the federal, provincial and municipal governments. It also includes people employed in education, health and social services.

1993 Ontario Economic Outlook

and the public sector accounted for over 70 per cent of the new jobs created, roughly in line with their share of the economy. However, restructuring in the broader public sector, consumer-related services and parts of business-related services will constrain their contribution to the cyclical expansion of employment in the short to medium term. In the forecast period, the goods-producing sector and related business services will provide a larger share of the new jobs than they did in the 1980s expansion.



Second, small and medium-sized firms will provide a larger share of job growth in the 1990s than in the past. The share of employment provided by firms with less than 100 employees climbed from 31 per cent in 1978 to 36 per cent in 1991. A Statistics Canada study confirms that the shift from large to small employers took place across all major sectors of the economy.¹¹

The growing contribution of smaller companies may introduce somewhat more volatility to the provincial economy, given that small businesses are typically more sensitive to economic downturns and recoveries. Although layoffs in large businesses received the most publicity, Ontario's small and medium-sized businesses accounted for over three-quarters of the total jobs lost between 1989 and 1992. Small enterprises, however, are more flexible, more able to respond quickly to change, and more likely to grow. Virtually all of the net jobs created in the recovery so far have come from firms with less than 200 employees.

11 Ted Wannell, "Firm Size and Employment: Recent Canadian Trends," Canadian Economic Observer, Statistics Canada, March 1992.

The move towards small business is expected to continue in the 1990s. Technology is reducing the emphasis on size in competition. New production technologies reduce economies of scale and enable smaller companies to produce as efficiently as larger ones. Jobs in small firms are often created because large firms are contracting out business they used to do themselves. For example, airlines used to sell the majority of their tickets directly to their customers. Today, however, travel agents sell the majority of tickets.

Restructuring for Growth and Jobs

The Ontario economy is showing signs of positive restructuring. Exports from higher value-added industries continued to make up the majority of the province's exports even through the recession. Both capital investment and capital stock per worker have been rising steadily. The technological intensity of capital investment is also increasing. Rising skill levels are enabling this increased capital stock to be used productively.

The manufacturing sector is now well-positioned to achieve substantial productivity gains as a result of profound restructuring and the recent improvement in unit labour costs relative to the United States. Growth in the service sector will be led by export-sensitive industries, primarily business and financial services, which are growing exporters in their own right and provide significant inputs to goods-producing industries.

Structural change is spreading to previously shielded parts of the service sector as they seek improved productivity. Output and employment growth in these sectors will be less robust than it was during the 1980s expansion. As a result, a greater share of the new jobs will be created in the goods-producing sectors than in the previous expansion, although the service sectors will continue to provide the majority of new jobs in the 1990s.

While structural change is expected to remain a challenge in Ontario and throughout the OECD, it is setting the stage for long-term productivity growth that will lead to improved economic growth, the creation of better, more highly skilled jobs, and rising standards of living.

Provincial Support for Long-Term Productivity Growth

Ontario supports a variety of programs that are helping companies to achieve productivity gains through technology development and improved access to capital. Examples include:

Technology Ontario consists of programs that help increase the province's technological capabilities. The Province's seven Centres of Excellence work closely with industry and conduct precompetitive R&D in areas such as lasers, new materials and telecommunications. The Industry Research Program provides support for collaborative research ventures between industries, universities and research institutions. The Technical Personnel Program helps small companies to better develop and apply technology by sharing the cost of hiring appropriate scientific and technical personnel.

The *Ontario Innovation and Productivity Service* helps companies to assess their operations and identify and overcome barriers to growth. It focuses on small and medium-sized innovative growth firms. The Service provides assistance in several areas, including management, marketing, technology and exporting.

The *Ontario Lead Investment Fund* will provide new capital for innovative growth firms. A "lead investment" corporation is being created by the provincial government and several financial institutions to invest in new, highly focused venture capital companies, which will in turn invest in knowledge-based growth companies. These new venture capital companies will provide managerial, technical, marketing and financial support to the firms in which they invest.

Chapter 6: Economic Policies to Support Jobs and Growth

Creating and retaining jobs is the fundamental priority of the Government of Ontario. Achieving meaningful job creation and security requires sustained economic recovery and growth. In turn, economic policy must recognize, support and promote positive structural adjustment.

Ontario's challenges should be seen in context. As jurisdictions throughout the industrialized world struggle with unemployment, lagging growth and fiscal pressures, it is obvious that no single policy response is sufficient. A single-minded focus on deficit reduction through cost cutting, for example, would be inadequate. No government has consistently reduced deficits in the absence of economic growth, however forceful the fiscal measures applied. Responsible and balanced fiscal policies are essential to building private sector confidence, investment and job creation. Governments must also restructure their operations, thereby maximizing efficiency and ensuring that expenditures support growth and job creation.

The lesson of both international and domestic experience is clear: complementary policies which work hand-in-hand to promote fiscal stability, job creation and positive structural adjustment are essential. Partnership is also critical. The policies of different governments must be made complementary to each other and linked to the real needs of businesses, communities and workers.

A Three-Pronged Approach to Jobs and Growth

The provincial government recognizes the changing realities of our economic environment and is addressing these directly and fairly. Ontario's job creation, economic growth and fiscal management strategies rest on three fundamental pillars. These are:

- *Helping individuals, firms and communities adjust to structural change.*
- *Guiding the economy towards higher value-added activities.*
- *Creating an economic environment to support competitiveness and job growth.*

Ontario's policies are yielding important results -- direct job creation, long-term investments in our economic future and new partnerships across the economy. While Ontario will continue to build on its efforts, there remains untapped potential for cooperation across the economy and with the federal government.

1993 Ontario Economic Outlook

Helping people, firms and communities adjust

Ontario's economic renewal agenda centres on supporting the efforts of individuals, firms and communities to manage and take advantage of change.

Active labour market policies form an essential component of this agenda, providing employment, training and adjustment programs to assist the private and public sectors and their workers in restructuring Ontario's labour market:

- The **jobsOntarioTraining** program has helped the private sector to create over 22,000 new employment positions, along with providing skills upgrading for workers and helping to increase productivity.
- **jobsOntarioYouth** has helped create over 10,000 summer jobs in 1993, offering many young people crucial employment experience and opportunities.
- Apprenticeship, literacy and other workplace training programs have been targeted and refined in line with rising skill requirements.
- Social assistance reform and measures to further enhance workplace equity will help all members of society to participate fully in the labour market.
- The Ontario Training and Adjustment Board provides an unprecedented framework for partnership between the public sector, workers and their representatives, and business. The Board will play a unique role in managing public funding for training and efficiently and effectively meeting local needs.
- Ontario's investments in social housing will, in addition to meeting pressing needs, help generate over 21,000 person-years of employment in 1993.

Firm-level adjustment provides industries and workers with the support essential to retaining competitive position in the face of substantial pressures:

- By working with the private sector, Ontario has supported and facilitated a range of direct investments, including major commitments to jobs and production from Ford, Chrysler and Mitel.
- The Manufacturing Recovery Program provides critical capital and other support to Ontario firms faced with restructuring challenges. The program has helped secure jobs and investment in communities across the province.

Community adjustment and investment initiatives allow individual communities to plan their economic futures, building on local strengths, initiatives and leadership. Ontario's *Community Economic Development Act*, as part of **jobsOntarioCommunity Action**, offers communities new ways to forge grass-roots economic partnerships by raising investment capital. It enables the establishment of Community Loan Funds and Community Investment Share Corporations, supported by provincial guarantees, to help finance small-scale entrepreneurs and businesses.

Guiding the economy towards higher value-added activities

Investment in higher value-added activities is crucial to sustaining Ontario's recovery and ensuring long-term prosperity. Many of the economic sectors now leading Ontario's economic recovery -- automotive parts, automotive assembly and business equipment, for example -- are precisely those which benefitted from substantial upgrading in the recent past and are continuing with ambitious investments in technology, human resources and new organizational strategies.

Infrastructure investment by the public sector helps support private investment and job creation across the economy. By investing in the infrastructure of the future -- transportation, telecommunications, community facilities and numerous other areas -- Ontario is able to secure immediate jobs and help generate long-term efficiency gains. Key efforts include:

- A comprehensive ten-year program introduced in February, 1993 to renew the province's infrastructure and create more than 100,000 jobs. An integral component of the infrastructure plan is the **jobsOntarioCapital** program, which will promote economic restructuring, community development and preservation of the environment.
- Three new capital corporations (Transportation Capital Corporation, Ontario Clean Water Agency, and Ontario Realty Corporation) introduced to coordinate and implement the infrastructure investment plan.

The Ontario government's *Industrial Policy Framework* supports its economic renewal strategy by involving sectors, communities and individual firms in charting the path to economic development. It calls for independent and joint efforts by industry, labour and government to encourage continuous innovation, improve technology, raise skill levels and expand exports. The framework is being implemented through several programs:

- The \$150-million *Sector Partnership Fund* sets the foundation for a cooperative approach. Sector strategies, action plans and joint initiatives are well underway to provide critical support for improved international competitiveness. Participating sectors include automotive parts, aerospace, construction, plastics, mining, forest products, residential furniture, cultural industries, tourism, telecommunications, computing, health and green industries.
- The *Ontario Lead Investment Fund* will provide new capital for innovative growth firms. A "lead investment" corporation is being created by the provincial government and several financial institutions to invest in new, highly-focussed venture capital companies, which in turn invest in knowledge-based growth companies. These new venture capital firms will provide managerial, marketing and financial support to knowledge-intensive and fast-growing firms.
- *Technology Ontario* funds seven university/industry *Centres of Excellence* which conduct precompetitive R&D for technologies such as lasers, new materials, and telecommunications. Its *Industry Research Program* matches private sector funding for innovative industry R&D. Its *Technical Personnel Program* shares the cost of hiring technical staff for small businesses.

1993 Ontario Economic Outlook

- The *Ontario Innovation and Productivity Service* assists small and medium-sized innovative growth firms in overcoming technological, financial and export hurdles.
- *Labour-Sponsored Venture Capital Corporations* encourage Ontarians and workers to invest in the economic future, providing capital for investment and job creation while at the same time expanding the investment opportunities open to individuals.

Creating a positive environment for competitiveness and growth

A sound macroeconomic environment is an essential condition for positive economic performance. In the recent past, this environment has been damaged by inappropriate federal policies:

- Government fiscal deficits and current account deficits have grown as monetary policy and fiscal policy worked at cross-purposes. A severe tightening of monetary policy beginning in 1988 contributed to unprecedented growth in provincial government deficits.
- The capacity of Canadian business to compete under the Canada-U.S. Free Trade Agreement was seriously undermined by the Bank of Canada's support for an over-valued Canadian dollar.
- The lack of federal adjustment policies to assist with the transition to new trading relationships led to protracted, painful dislocation for the many workers who lost jobs from trade-related restructuring in the manufacturing sector. Ontario is opposed to the North American Free Trade Agreement because, on balance, it is a bad deal for Ontario, and the Government has asked Ottawa not to proclaim the Agreement. Ontario looks forward to a successful conclusion of the current GATT round, along with appropriate adjustment and training policies.

Faced with a difficult economic environment and declining revenues, the Ontario government has taken important steps to control the deficit while supporting economic activity and investment. Measures such as the Social Contract both constrain spending and preserve jobs and essential services across the public sector.

Building Partnerships

For too long, the Ontario and Canadian economies have been burdened by federal and provincial government policies working at cross purposes. While the federal government has primary responsibility for the major macroeconomic levers in the economy, the provinces control key microeconomic policies essential to economic renewal. In the absence of complementary approaches, there remains a real danger that government initiatives will continue to work at cross purposes and undermine public confidence.

The recent federal election and change in government offers a new and unique opportunity to redress these serious issues. Ontario is ready for a new working relationship

with the federal government, based on principles of fair treatment for all provinces and citizens in Canada, including Ontarians.

Creating jobs and growth must be the fundamental and shared priority for all governments. If it is to continue, the economic recovery which has begun in Canada must be supported vigorously by accommodative monetary policy. By taking into consideration federal and provincial fiscal policies when setting monetary targets, the Bank of Canada can lay the groundwork for a solid economic recovery. The Bank has shown signs of easing monetary policy, including allowing the exchange rate to play a supportive role in rebuilding the competitive position of Canadian industry. A continued commitment to monetary growth and reasonable real interest rates will be key to a secure recovery and successful deficit reduction strategies. At the same time, federal and provincial governments must maintain adequate fiscal discipline to ensure steady and substantial deficit reduction as economic growth resumes.

Governments must also work together to help people, firms and communities adjust to economic change. A crucial first step will be for the federal government to help Ontario and other provinces build and expand active labour market programs. Areas for reform and strengthening include unemployment insurance, social assistance and training and adjustment. The federal government must also ensure that adequate adjustment policies are in place to deal with the impacts of existing and potential international trade agreements.

Ontario has traditionally been a source of economic strength for all of Canada -- a role it can only fulfill with the assistance of supportive federal and provincial policies. Ontario's manufacturing, financial services, technology and innovation and other capacities cannot be taken for granted. The Ontario and federal governments can work towards a more complementary approach in helping guide the economy towards both higher value-added and higher growth. In industrial policy, key areas include: lowering inter-provincial trade barriers; harmonizing regulations for the financial services sectors, and rationalizing direct and tax incentives for corporations. Additional federal support for high technology research and investment is also crucial.

The federal government has indicated its commitment to working with other governments across Canada to facilitate public investment, particularly in infrastructure. Investment in infrastructure is providing Ontario with jobs and anchoring future economic performance. By working together, Ontario and the federal government will be able to expand these benefits to new areas. The results of a comprehensive, coordinated investment plan will be a more efficient economy and better jobs.

The Future Agenda

Job creation and economic growth will remain the focus of Ontario public policy. The provincial government has adopted a framework to help adjust to structural change and, through this, strengthen the recovery, improve competitiveness and support more and better jobs. The strategy is yielding positive results, with capital spending, training, investment and other initiatives providing a direct boost to jobs and economic activity.

1993 Ontario Economic Outlook

Despite this progress, much remains to be done. Provincial policies alone will not alter the underlying macroeconomic environment, nor can they generate the overall partnerships between and among business, labour and communities so necessary to successful structural adjustment. A broader commitment is necessary.

A key aspect of this broader commitment must come from the federal government. The new federal government has indicated a desire to work with the provinces and others to secure our common economic and employment objectives. Translating these sentiments into action must start immediately. The proposed investments in provincial and municipal infrastructure represent a positive initial direction. The Government of Ontario looks forward to future partnerships across the range of public policy, job creation and economic activity.

Data Appendix

1993 Ontario Economic Outlook

List of Tables

Table 1	The Ontario Economy, 1992 - 1997	81
Table 2	Ontario, Gross Domestic Product, 1981 - 1992	82
Table 3	Ontario, Growth in Gross Domestic Product, 1981 - 1992	83
Table 4	Canada, Gross Domestic Product, 1981 - 1992	84
Table 5	Canada, Growth in Gross Domestic Product, 1981 - 1992	85
Table 6	Ontario, Selected Economic Indicators, 1981 - 1992	86
Table 7	Ontario, Growth in Economic Indicators, 1981 - 1992	87
Table 8	Canada, Selected Economic Indicators, 1981 - 1992	88
Table 9	Canada, Growth in Economic Indicators, 1981 - 1992	89
Table 10	Ontario and the G-7, Real GDP Growth, 1981 - 1992	90
Table 11	Ontario and the G-7, Employment Growth, 1981 - 1992	91
Table 12	Ontario and the G-7, Unemployment Rates, 1981 - 1992	92
Table 13	Ontario and the G-7, CPI Inflation Rates, 1981 - 1992	93
Table 14	Ontario and Canada, International Merchandise Trade, 1981 - 1992	94
Table 15	Ontario, International Exports, Top 30 Commodities, 1992	95
Table 16	Ontario, International Trade by Major Region, 1992	96
Table 17	Canada, Trade by Major Region, 1992	97
Table 18	Canada, Selected Financial Indicators, 1981 - 1992	98
Table 19	G-7, Exchange Rates, 1981 - 1992	99
Table 20	Ontario, Selected Demographic Characteristics, 1971 - 2011	100
Table 21	Ontario, Components of Population Growth, 1981/82 - 1992/93	101
Table 22	Ontario, Labour Force, 1981 - 1993	102
Table 23	Ontario, Employment, 1981 - 1993	103
Table 24	Ontario, Unemployment, 1981 - 1993	104
Table 25	Ontario, Unemployment Insurance and Social Assistance, 1981 - 1993	105
Table 26	Ontario, Major Layoffs, Strikes and Lockouts, 1981 - 1993	106
Table 27	Ontario, Labour Compensation, 1981 - 1993	107
Table 28	Ontario, Employment by Occupation, 1981 - 1992	108
Table 29	Ontario, Distribution of Employment by Occupation, 1981 - 1992	109
Table 30	Ontario, Employment by Sector, 1983 - 1992	110
Table 31	Ontario, Distribution of Employment by Sector, 1983 - 1992	111

Data Appendix

Table 1	The Ontario Economy, 1992-1997					
	(per cent change)					
	1992	1993	1994	1995	1996	1997
Real Gross Domestic Product (\$1986)	0.9	2.1	3.4	3.9	4.6	4.5
Consumption	0.9	1.3	2.2	3.1	3.5	3.4
Government	1.1	-0.9	-1.1	1.4	0.7	0.5
Residential Construction	7.2	-9.1	5.2	13.3	11.5	5.7
Non-Residential Construction	-19.4	-17.8	-5.9	1.2	4.9	5.0
Machinery and Equipment	4.0	9.3	9.6	7.0	6.0	6.2
Exports	8.0	7.8	7.4	6.0	5.8	5.0
Imports	6.3	6.8	5.6	4.8	4.5	4.3
 Nominal Gross Domestic Product	 1.4	 2.6	 4.9	 5.4	 6.1	 6.0
 Other Economic Indicators						
Retail Sales*	2.3	3.8	3.6	4.5	4.9	4.8
Housing Starts - Units (000's)	55.8	42.0	51.0	64.0	77.0	80.0
Personal Income	2.1	2.1	3.1	4.1	4.6	5.0
Pre-tax Corporate Profits	-4.3	10.4	24.1	19.7	12.0	10.0
Consumer Price Index						
Canada	1.5	1.8	1.7	1.5	1.5	1.5
Ontario	1.1	1.7	1.6	1.5	1.5	1.5
Labour Market						
Labour Force	0.2	1.5	1.5	2.0	1.9	2.0
Employment	-1.2	1.7	1.8	2.4	2.4	2.6
Unemployment Rate (%)	10.8	10.6	10.3	9.9	9.5	9.0

* GST excluded.

Sources: Statistics Canada and Ontario Ministry of Finance

1993 Ontario Economic Outlook

Table 2 **Ontario, Gross Domestic Product, 1981 - 1992**

	(billions of dollars)					
	1981	1982	1983	1984	1985	1986
Real Gross Domestic Product (\$1986)	165.6	159.0	166.3	181.5	191.0	202.7
Consumption	95.6	93.6	97.8	102.9	108.9	115.0
Government	34.5	35.9	36.0	37.2	38.9	38.9
Residential Construction	8.9	7.6	9.5	10.3	11.5	13.2
Non-Residential Construction	6.6	6.2	5.6	6.5	7.3	8.3
Machinery and Equipment	10.6	9.1	9.7	10.3	12.2	15.3
Exports	77.6	74.8	79.6	95.4	101.2	106.5
Imports	68.6	63.3	71.3	84.5	91.2	95.8
Nominal Gross Domestic Product	129.3	135.1	149.5	168.9	183.7	202.7

Table 2 (continued)

	(billions of dollars)					
	1987	1988	1989	1990	1991	1992
Real Gross Domestic Product (\$1986)	212.3	227.2	232.1	224.9	218.0	220.1
Consumption	121.2	127.7	132.3	132.4	129.5	130.6
Government	40.8	43.1	45.3	47.7	49.4	49.9
Residential Construction	15.1	15.8	17.2	13.7	11.6	12.5
Non-Residential Construction	9.3	10.3	11.1	10.2	9.4	7.6
Machinery and Equipment	17.3	20.1	20.6	19.5	20.9	21.7
Exports	106.2	115.2	115.5	118.7	114.6	123.7
Imports	100.1	108.8	111.8	115.2	117.5	125.0
Nominal Gross Domestic Product	223.9	252.9	272.6	273.0	271.0	274.8

Sources: Statistics Canada and Ontario Ministry of Finance

Data Appendix

Table 3 **Ontario, Growth in Gross Domestic Product, 1981 - 1992**

	(per cent change)					
	1981	1982	1983	1984	1985	1986
Real Gross Domestic Product	3.0	-4.0	4.5	9.1	5.3	6.1
Consumption	2.2	-2.1	4.5	5.3	5.8	5.5
Government	0.8	4.2	0.3	3.2	4.5	0.1
Residential Construction	9.3	-13.9	25.2	7.4	11.7	15.3
Non-Residential Construction	5.7	-7.0	-8.3	15.9	11.7	13.8
Machinery and Equipment	21.4	-13.9	6.0	6.1	19.2	25.1
Exports	2.9	-3.6	6.4	19.8	6.0	5.3
Imports	7.0	-7.7	12.7	18.5	7.9	5.1
Nominal Gross Domestic Product	12.5	4.5	10.6	13.0	8.8	10.3

Table 3 (continued)

	(per cent change)					
	1987	1988	1989	1990	1991	1992
Real Gross Domestic Product	4.8	7.0	2.2	-3.1	-3.0	0.9
Consumption	5.4	5.4	3.6	0.0	-2.2	0.9
Government	4.9	5.5	5.2	5.2	3.6	1.1
Residential Construction	14.4	4.5	9.2	-20.7	-15.1	7.2
Non-Residential Construction	11.8	10.5	7.8	-7.9	-7.9	-19.4
Machinery and Equipment	13.0	16.6	2.2	-5.2	7.2	4.0
Exports	-0.2	8.5	0.3	2.8	-3.5	8.0
Imports	4.4	8.7	2.8	3.0	2.0	6.3
Nominal Gross Domestic Product	10.4	13.0	7.8	0.1	-0.7	1.4

Sources: Statistics Canada and Ontario Ministry of Finance

1993 Ontario Economic Outlook

Table 4 **Canada, Gross Domestic Product, 1981 - 1992**

	(billions of dollars)					
	1981	1982	1983	1984	1985	1986
Real Gross Domestic Product (\$1986)	440.1	426.0	439.4	467.2	489.4	505.7
Consumption	257.1	250.3	258.9	270.9	284.9	297.5
Government	90.6	93.2	94.4	95.6	98.5	100.1
Residential Construction	25.2	21.0	24.6	24.8	27.2	30.8
Non-Residential Construction	31.5	28.7	26.3	25.8	27.1	25.6
Machinery and Equipment	29.4	25.3	24.2	25.6	28.7	32.6
Exports	101.9	99.6	106.0	124.8	132.2	138.1
Imports	105.3	89.3	97.4	114.1	123.9	133.4
Nominal Gross Domestic Product	356.0	374.4	405.7	444.7	478.0	505.7

Table 4 (continued)

	(billions of dollars)					
	1987	1988	1989	1990	1991	1992
Real Gross Domestic Product (\$1986)	526.7	553.0	566.5	565.6	556.0	560.0
Consumption	310.5	324.3	335.3	338.7	332.1	335.7
Government	101.8	106.1	110.3	114.1	116.5	116.8
Residential Construction	35.8	36.9	38.6	35.2	30.8	32.8
Non-Residential Construction	26.4	29.3	30.8	31.0	30.2	25.7
Machinery and Equipment	37.5	44.6	47.7	45.5	47.3	47.6
Exports	142.9	156.5	157.8	164.7	166.0	179.2
Imports	142.7	162.4	172.6	175.5	180.3	189.1
Nominal Gross Domestic Product	551.6	605.9	650.7	671.0	675.9	688.5

Source: Statistics Canada

Data Appendix

Table 5 **Canada, Growth in Gross Domestic Product, 1981 - 1992**

	(per cent change)					
	1981	1982	1983	1984	1985	1986
Real Gross Domestic Product	3.7	-3.2	3.2	6.3	4.8	3.3
Consumption	2.3	-2.6	3.4	4.6	5.2	4.4
Government	2.1	2.8	1.3	1.3	3.1	1.6
Residential Construction	6.6	-16.3	17.0	0.5	9.8	13.3
Non-Residential Construction	8.6	-9.0	-8.5	-1.8	5.2	-5.5
Machinery and Equipment	18.1	-14.0	-4.1	5.5	12.3	13.5
Exports	4.4	-2.2	6.4	17.7	6.0	4.5
Imports	8.5	-15.2	9.0	17.1	8.7	7.6
Nominal Gross Domestic Product	14.9	5.2	8.4	9.6	7.5	5.8

Table 5 (continued)

	(per cent change)					
	1987	1988	1989	1990	1991	1992
Real Gross Domestic Product	4.2	5.0	2.4	-0.2	-1.7	0.7
Consumption	4.4	4.5	3.4	1.0	-2.0	1.1
Government	1.7	4.2	4.0	3.4	2.1	0.2
Residential Construction	16.4	2.8	4.8	-8.9	-12.3	6.3
Non-Residential Construction	3.0	11.0	5.3	0.4	-2.5	-15.1
Machinery and Equipment	15.0	19.2	6.8	-4.6	3.9	0.8
Exports	3.5	9.5	0.8	4.4	0.8	7.9
Imports	7.0	13.8	6.3	1.7	2.7	4.9
Nominal Gross Domestic Product	9.1	9.8	7.4	3.1	0.7	1.9

Source: Statistics Canada

1993 Ontario Economic Outlook

Table 6	Ontario, Selected Economic Indicators, 1981 - 1992					
	1981	1982	1983	1984	1985	1986
Retail Sales* (\$ billions)	36.8	38.8	43.1	47.6	53.7	58.6
Housing Starts - Units (000's)	50.2	38.5	54.9	48.2	64.9	81.5
Personal Income (\$ billions)	108.1	121.1	131.0	144.4	156.4	169.3
Pre-tax Corporate Profits (\$ billions)	14.2	8.9	13.6	17.7	19.1	21.3
Consumer Price Index (1986=100)	74.6	82.6	87.7	92.0	95.8	100.0
Labour Force (000's)	4,463	4,502	4,561	4,655	4,758	4,862
Employment (000's)	4,171	4,063	4,089	4,235	4,377	4,524
Unemployment Rate (%)	6.6	9.7	10.3	9.0	8.0	7.0

Table 6 (continued)						
	1987	1988	1989	1990	1991	1992
Retail Sales* (\$ billions)	64.7	69.8	72.6	72.6	67.2	68.4
Housing Starts - Units (000's)	105.2	99.9	93.3	62.6	52.8	55.8
Personal Income (\$ billions)	186.1	207.3	226.9	239.6	246.9	252.1
Pre-tax Corporate Profits (\$ billions)	25.0	30.6	28.1	20.6	14.7	14.0
Consumer Price Index (1986=100)	105.1	110.0	116.4	122.0	127.6	129.0
Labour Force (000's)	4,992	5,118	5,214	5,268	5,276	5,286
Employment (000's)	4,689	4,862	4,949	4,937	4,770	4,714
Unemployment Rate (%)	6.1	5.0	5.1	6.3	9.6	10.8

* Retail sales include Federal Sales Taxes up to 1990 but exclude GST from 1991 on.

Sources: Statistics Canada, Ontario Ministry of Finance and CMHC

Data Appendix

Table 7 **Ontario, Growth in Economic Indicators, 1981 - 1992**

	(per cent change)					
	1981	1982	1983	1984	1985	1986
Retail Sales*	...	5.4	11.1	10.3	13.0	9.0
Housing Starts	25.0	-23.2	42.7	-12.3	34.7	25.6
Personal Income	14.5	12.0	8.2	10.2	8.3	8.3
Pre-tax Corporate Profits	0.5	-36.9	51.6	30.2	8.3	11.4
Consumer Price Index	12.0	10.7	6.2	4.9	4.1	4.4
Labour Force	2.6	0.9	1.3	2.1	2.2	2.2
Employment	2.9	-2.6	0.6	3.6	3.4	3.4
Unemployment Rate	...	...	...	...	...	...

Table 7 (continued)

	(per cent change)					
	1987	1988	1989	1990	1991	1992
Retail Sales*	10.5	7.8	4.0	0.0	-7.5	1.9
Housing Starts	29.1	-5.0	-6.6	-32.9	-15.7	5.7
Personal Income	9.9	11.4	9.4	5.6	3.0	2.1
Pre-tax Corporate Profits	17.4	22.4	-8.0	-26.8	-28.9	-4.3
Consumer Price Index	5.1	4.7	5.8	4.8	4.6	1.1
Labour Force	2.7	2.5	1.9	1.0	0.2	0.2
Employment	3.6	3.7	1.8	-0.2	-3.4	-1.2
Unemployment Rate	...	...	...	...	...	...

* Retail sales include Federal Sales Taxes up to 1990 but exclude GST from 1991 on.

... Figures not appropriate or not applicable

Sources: Statistics Canada, Ontario Ministry of Finance and CMHC

1993 Ontario Economic Outlook

Table 8

Canada, Selected Economic Indicators, 1981 - 1992

	1981	1982	1983	1984	1985	1986
Retail Sales* (\$ billions)	103.4	107.1	116.6	127.4	142.2	153.8
Housing Starts - Units(000's)	178.0	125.9	162.6	134.9	165.8	199.8
Personal Income (\$ billions)	293.2	324.8	343.1	372.2	400.2	427.3
Pre-tax Corporate Profits (\$ billions)	37.7	26.8	37.1	45.9	49.5	45.4
Consumer Price Index (1986=100)	75.5	83.7	88.5	92.4	96.0	100.0
Labour Force (000's)	11,899	11,926	12,109	12,316	12,532	12,746
Employment (000's)	11,001	10,618	10,675	10,932	11,221	11,531
Unemployment Rate (%)	7.5	11.0	11.8	11.2	10.5	9.5

Table 8 (continued)

	1987	1988	1989	1990	1991	1992
Retail Sales* (\$ billions)	168.9	181.7	189.3	192.6	181.2	185.0
Housing Starts - Units(000's)	246.0	222.6	215.4	181.6	156.2	168.3
Personal Income (\$ billions)	461.2	506.0	550.2	589.1	606.4	621.6
Pre-tax Corporate Profits (\$ billions)	56.6	64.7	60.1	47.1	33.3	31.9
Consumer Price Index (1986=100)	104.4	108.6	114.0	119.5	126.2	128.1
Labour Force (000's)	13,011	13,275	13,503	13,681	13,757	13,797
Employment (000's)	11,861	12,245	12,486	12,572	12,340	12,240
Unemployment Rate (%)	8.8	7.8	7.5	8.1	10.3	11.3

* Retail sales include Federal Sales Taxes up to 1990 but exclude GST from 1991 on.

Sources: Statistics Canada, Ontario Ministry of Finance and CMHC

Data Appendix

Table 9 **Canada, Growth in Economic Indicators, 1981 - 1992**

	(per cent change)					
	1981	1982	1983	1984	1985	1986
Retail Sales*	...	3.5	8.9	9.3	11.6	8.1
Housing Starts	12.2	-29.3	29.2	-17.1	22.9	20.5
Personal Income	17.8	10.8	5.6	8.5	7.5	6.8
Pre-tax Corporate Profits	-5.4	-28.7	38.1	23.7	7.9	-8.4
Consumer Price Index	12.4	10.9	5.7	4.4	3.9	4.2
Labour Force	2.8	0.2	1.5	1.7	1.8	1.7
Employment	2.7	-3.5	0.5	2.4	2.6	2.8
Unemployment Rate	...	...	...	...	...	...

Table 9 (continued)

	(per cent change)					
	1987	1988	1989	1990	1991	1992
Retail Sales*	9.8	7.6	4.2	1.7	-5.9	2.1
Housing Starts	23.1	-9.5	-3.2	-15.7	-14.0	7.7
Personal Income	7.9	9.7	8.7	7.1	2.9	2.5
Pre-tax Corporate Profits	24.7	14.3	-7.1	-21.7	-29.2	-4.2
Consumer Price Index	4.4	4.0	5.0	4.8	5.6	1.5
Labour Force	2.1	2.0	1.7	1.3	0.6	0.3
Employment	2.9	3.2	2.0	0.7	-1.8	-0.8
Unemployment Rate	...	...	...	...	...	...

* Retail sales include Federal Sales Taxes up to 1990 but exclude GST from 1991 on.

... Figures not appropriate or not applicable

Sources: Statistics Canada, Ontario Ministry of Finance and CMHC

1993 Ontario Economic Outlook

Table 10 **Ontario and the G-7, Real GDP Growth, 1981 - 1992**

	(per cent change)					
	1981	1982	1983	1984	1985	1986
Ontario	3.0	-4.0	4.5	9.1	5.3	6.1
Canada	3.7	-6.2	6.4	6.3	4.8	3.3
France	1.2	2.5	0.7	1.3	1.9	2.5
West Germany	0.2	-0.9	1.5	2.7	1.9	2.3
Italy	0.6	0.2	1.0	2.7	2.6	2.9
Japan	3.6	3.2	2.7	4.2	4.9	2.7
United Kingdom	-1.3	1.7	3.7	2.3	3.8	4.1
United States	1.8	-2.2	3.9	6.2	3.2	2.9

Table 10 (continued)

	(per cent change)					
	1987	1988	1989	1990	1991	1992
Ontario	4.8	7.0	2.2	-3.1	-3.0	0.9
Canada	4.2	5.0	2.4	-0.2	-1.7	0.7
France	2.2	4.5	4.3	2.5	0.7	1.4
West Germany	1.5	3.8	3.3	5.1	3.7	1.4
Italy	3.1	4.1	2.9	2.1	1.3	0.9
Japan	4.0	6.3	4.7	4.9	4.1	1.3
United Kingdom	4.8	4.4	2.1	0.5	-2.2	-0.6
United States	3.1	3.9	2.5	1.2	-0.7	2.6

Sources: OECD, Statistics Canada and Ontario Ministry of Finance

Data Appendix

Table 11 **Ontario and the G-7, Employment Growth, 1981 - 1992**

	(per cent change)					
	1981	1982	1983	1984	1985	1986
Ontario	2.9	-2.6	0.6	3.6	3.4	3.4
Canada	2.7	-3.5	0.5	2.4	2.6	2.8
France	1.2	2.5	0.7	1.3	1.9	2.5
West Germany	-0.1	-1.1	-1.4	0.2	0.8	1.4
Italy	0.2	-0.3	0.2	0.4	0.4	0.5
Japan	0.8	1.0	1.7	0.6	0.7	0.8
United Kingdom	-3.4	-1.9	-0.2	2.2	1.1	0.3
United States	1.1	-0.9	1.3	4.1	2.0	2.3

Table 11 (continued)

	(per cent change)					
	1987	1988	1989	1990	1991	1992
Ontario	3.6	3.7	1.8	-0.2	-3.4	-1.2
Canada	2.9	3.2	2.0	0.7	-1.8	-0.8
France	2.2	4.5	4.2	2.5	0.7	1.4
West Germany	0.7	0.8	1.4	2.6	1.7	0.4
Italy	-0.2	1.1	0.1	1.8	0.9	-0.6
Japan	1.0	1.7	1.9	2.0	1.9	1.1
United Kingdom	2.3	3.3	2.7	0.3	-3.2	-2.9
United States	2.6	2.3	2.0	0.5	-0.9	0.6

Sources: OECD and Statistics Canada

1993 Ontario Economic Outlook

Table 12 **Ontario and the G-7, Unemployment Rates, 1981 - 1992**

	(per cent)					
	1981	1982	1983	1984	1985	1986
Ontario	6.6	9.7	10.3	9.0	8.0	7.0
Canada	7.5	11.0	11.8	11.2	10.5	9.5
France	7.4	8.1	8.3	9.7	10.3	10.4
West Germany	4.5	6.4	7.9	7.9	8.0	7.6
Italy	8.5	9.2	10.0	10.1	10.2	11.2
Japan	2.2	2.3	2.7	2.7	2.6	2.8
United Kingdom	9.1	10.4	11.2	11.4	11.6	11.8
United States	7.6	9.7	9.6	7.5	7.2	7.0

Table 12 (continued)

	(per cent)					
	1987	1988	1989	1990	1991	1992
Ontario	6.1	5.0	5.1	6.3	9.6	10.8
Canada	8.8	7.8	7.5	8.1	10.3	11.3
France	10.5	10.0	9.4	8.9	9.5	10.2
West Germany	7.6	7.6	6.8	6.2	5.5	5.8
Italy	12.1	12.2	12.1	11.1	11.0	10.7
Japan	2.9	2.5	2.3	2.1	2.1	2.2
United Kingdom	10.4	8.2	6.2	5.9	8.3	10.1
United States	6.2	5.5	5.3	5.5	6.7	7.4

Sources: OECD and Statistics Canada

Data Appendix

Table 13 **Ontario and the G-7, CPI Inflation Rates, 1981 - 1992**

	(per cent)					
	1981	1982	1983	1984	1985	1986
Ontario	12.0	10.7	6.2	4.9	4.1	4.4
Canada	12.4	10.9	5.7	4.4	3.9	4.2
France	13.4	11.8	9.6	7.4	5.8	2.7
West Germany	6.4	5.2	3.2	2.4	2.2	-0.1
Italy	17.9	16.5	14.7	10.8	9.2	5.8
Japan	4.9	2.7	1.8	2.3	2.0	0.6
United Kingdom	11.9	8.6	4.5	5.0	6.0	3.4
United States	10.3	6.2	3.2	4.3	3.5	1.9

Table 13 (continued)

	(per cent)					
	1987	1988	1989	1990	1991	1992
Ontario	5.1	4.7	5.8	4.8	4.6	1.1
Canada	4.4	4.0	5.0	4.8	5.6	1.5
France	3.1	2.6	3.7	3.4	3.2	2.4
West Germany	0.2	1.3	2.8	2.7	3.5	4.0
Italy	4.8	5.0	6.3	6.5	6.3	5.2
Japan	0.1	0.7	2.3	3.1	3.3	1.7
United Kingdom	4.2	4.9	7.8	9.5	5.8	3.7
United States	3.6	4.1	4.8	5.5	4.2	3.0

Sources: OECD and Statistics Canada

1993 Ontario Economic Outlook

Table 14 **Ontario and Canada, International Merchandise Trade, 1981 - 1992**

	(millions of dollars)					
	1981	1982	1983	1984	1985	1986
Ontario						
Exports	34,042	36,842	41,706	55,202	59,382	62,593
% Change	15.4	8.2	13.2	32.4	7.6	5.4
Imports	42,960	39,071	45,584	59,576	65,895	72,154
% Change	13.8	-9.1	16.7	30.7	10.6	9.5
Trade Balance	-8,918	-2,229	-3,878	-4,374	-6,513	-9,561
Canada						
Exports	83,698	84,403	90,964	112,495	119,241	120,495
% Change	10.2	0.8	7.8	23.7	6.0	1.1
Imports	78,876	67,630	75,586	95,842	104,914	112,678
% Change	14.3	-14.3	11.8	26.8	9.5	7.4
Trade Balance	4,822	16,773	15,378	16,653	14,327	7,817

Table 14 (continued)

	(millions of dollars)					
	1987	1988	1989	1990	1991	1992
Ontario						
Exports	61,044	67,376	67,425	74,414	70,745	82,226
% Change	-2.5	10.4	0.1	10.4	-4.9	16.2
Imports	73,724	82,916	82,032	79,103	79,183	89,541
% Change	2.2	12.5	-1.1	-3.6	0.1	13.1
Trade Balance	-12,680	-15,540	-14,607	-4,689	-8,438	-7,315
Canada						
Exports	125,087	137,695	137,284	148,170	145,281	162,110
% Change	3.8	10.1	-0.3	7.9	-2.0	11.6
Imports	116,239	131,664	134,904	135,922	135,283	147,866
% Change	3.2	13.3	2.5	0.8	-0.5	9.3
Trade Balance	8,848	6,031	2,380	12,248	9,998	14,244

Sources: Statistics Canada and Ontario Ministry of Economic Development and Trade

Data Appendix

Table 15 **Ontario, International Exports, Top 30 Commodities, 1992**

	Value (\$millions)	Per cent of total
Motor Vehicles for Transport of People	17,659	21.5
Motor Vehicles for Transport of Goods	9,137	11.1
Motor Vehicle Parts and Accessories	6,706	8.2
Gold (Unwrought/Semi-Manufactured/Powder)	2,327	2.8
Parts and Accessories for Office Machinery and Computers	1,652	2.0
Newsprint	1,365	1.7
Internal Combustion Piston Engines	1,150	1.4
Automatic Data Processing Machinery	968	1.2
Electrical Apparatus for Line Telephony/Telegraphy	916	1.1
Lumber, Exceeding 6mm. in Thickness	800	1.0
Aircraft and Spacecraft Parts	797	1.0
Seats for Furniture, Motor Vehicles, etc.	790	1.0
Nickel, Unwrought	651	0.8
Nickel, Matte, Oxide or Intermediate Products	628	0.8
Wood Pulp, Soda or Sulphate Grades	573	0.7
Parts for Spark Ignition and Diesel Type Engines	571	0.7
Aircraft and Helicopters	556	0.7
Refined Petroleum Oils	512	0.6
Non-Alloy Steel, Flat-Rolled, Hot-Rolled, Uncoated	511	0.6
Furniture and Furniture Parts, Other Than Seats	451	0.5
Printing, Writing and Graphic Paper, Uncoated	448	0.5
Rubber Tires	404	0.5
Turbo-jets, Turbo-propellers and Other Gas Engines	398	0.5
Refined Copper and Copper Alloys, Unwrought	393	0.5
Motor Vehicles for Public Transport of People	381	0.5
Non-Alloy Steel, Flat-Rolled, Clad, Plated or Coated	371	0.5
Whiskies and Other Distilled Spirits	370	0.4
Natural Gas, Propane and Other Petroleum Gases	364	0.4
Uranium and Other Radioactive Compounds	362	0.4
Moulds for Metals, Rubber and Plastics	325	0.4
 Top 30 Commodities	 52,536	 63.9
 Total Exports	 82,226	 100.0

Note: Commodities are 4-digit H.S. Codes.

Source: Statistics Canada

1993 Ontario Economic Outlook

Table 16 **Ontario, International Trade by Major Region, 1992**

	Exports (\$millions)	Per cent of total	Imports (\$millions)	Per cent of total
United States	72,613	88.3	67,866	75.8
Western Europe	4,955	6.0	6,644	7.4
EEC	3,503	4.3	5,693	6.4
Other W. Europe	1,452	1.8	951	1.1
Eastern Europe	78	0.1	106	0.1
Asia	2,717	3.3	10,390	11.6
Pacific Rim	2,610	3.2	10,202	11.4
Other Asia	107	0.1	188	0.2
Latin America and Caribbean	997	1.2	3,120	3.5
Mexico	382	0.5	2,282	2.5
Middle East	386	0.5	120	0.1
Africa	216	0.3	138	0.2
Statistical Discrepancy	264	0.3	1,157	1.3
Total	82,226	100.0	89,541	100.0

Note: Figures may not add to totals due to rounding.

Sources: Statistics Canada and Ontario Ministry of Economic Development and Trade

Data Appendix

Table 17 **Canada, Trade by Major Region, 1992**

	Exports (\$millions)	Per cent of total	Imports (\$millions)	Per cent of total
United States	125,494	77.4	96,397	65.2
Western Europe	13,734	8.5	17,946	12.1
EEC	11,453	7.1	14,439	9.8
Other W. Europe	2,281	1.4	3,507	2.4
Eastern Europe	226	0.1	260	0.2
Asia	15,982	9.9	22,844	15.4
Pacific Rim	15,269	9.4	22,280	15.1
Other Asia	713	0.4	564	0.4
Latin America and Caribbean	2,731	1.7	4,766	3.2
Mexico	783	0.5	2,751	1.9
Middle East	1,134	0.7	923	0.6
Africa	965	0.6	1,108	0.7
Statistical Discrepancy	1,843	1.1	3,621	2.4
Total	162,109	100.0	147,865	100.0

Note: Figures may not add to totals due to rounding.

Sources: Statistics Canada and Ontario Ministry of Economic Development and Trade

1993 Ontario Economic Outlook

Table 18

Canada, Selected Financial Indicators, 1981 - 1992

	(per cent)					
	1981	1982	1983	1984	1985	1986
Interest Rates						
Bank Rate	17.9	14.0	9.6	11.3	9.6	9.2
Prime Rate	19.3	15.8	11.2	12.1	10.6	10.5
10-Year Government Bonds	15.2	14.3	11.8	12.8	11.0	9.5
Three-month T-Bills	17.7	13.7	9.3	11.1	9.4	9.0
Mortgage Rates						
5 Year Rate	18.1	17.9	13.3	13.6	12.2	11.2
1 Year Rate	18.1	16.9	11.0	12.0	10.3	10.2
Household Debt Burden*						
Consumer	19.6	17.7	16.8	16.3	16.9	18.1
Mortgage	37.7	34.5	34.4	34.4	34.5	37.2
Total	57.3	52.2	51.2	50.7	51.4	55.3

Table 18 (continued)

	(per cent)					
	1987	1988	1989	1990	1991	1992
Interest Rates						
Bank Rate	8.4	9.7	12.3	13.0	9.0	6.8
Prime Rate	9.5	10.8	13.3	14.1	9.9	7.5
10-Year Government Bonds	9.9	10.2	9.9	10.9	9.8	8.8
Three-month T-Bills	8.1	9.5	12.1	12.8	8.7	6.6
Mortgage Rates						
5 Year Rate	11.1	11.6	12.1	13.2	11.2	9.5
1 Year Rate	9.9	10.8	12.9	13.4	10.1	7.9
Household Debt Burden*						
Consumer	19.1	20.2	20.6	21.4	21.4	20.8
Mortgage	41.0	44.0	46.7	51.1	54.0	57.9
Total	60.1	64.2	67.4	72.5	75.4	78.6

* Debt as a share of disposable income.

Note: All data are annual averages.

Sources: Statistics Canada and Bank of Canada

Data Appendix

Table 19 **G-7, Exchange Rates, 1981 - 1992**

	(Foreign currency per Canadian dollar)					
	1981	1982	1983	1984	1985	1986
France	4.5188	5.3066	6.1656	6.7328	6.5373	4.9806
Germany	1.8824	1.9667	2.0690	2.1923	2.1420	1.5587
Italy	944.40	1094.76	1229.45	1353.18	1394.96	1070.55
Japan	183.75	201.67	192.75	183.27	173.94	120.86
United Kingdom	0.4120	0.4639	0.5357	0.5784	0.5659	0.4910
United States	0.8340	0.8110	0.8117	0.7722	0.7321	0.7199

Table 19 (continued)

	(Foreign currency per Canadian dollar)					
	1987	1988	1989	1990	1991	1992
France	4.5309	4.8310	5.3885	4.6572	4.9206	4.3668
Germany	1.3552	1.4249	1.5878	1.3822	1.4468	1.2887
Italy	978.08	1055.80	1158.44	1025.40	1082.24	1020.41
Japan	109.01	104.10	116.39	123.80	117.35	104.71
United Kingdom	0.4608	0.4565	0.5160	0.4799	0.4948	0.4695
United States	0.7541	0.8123	0.8446	0.8569	0.8726	0.8271

Note: All data are annual averages.

Source: OECD

1993 Ontario Economic Outlook

Table 20 **Ontario, Selected Demographic Characteristics, 1971 - 2011**

	Actual			Projections	
	1971	1981	1991	2001	2011
Total Population (000's)	7,868	8,838	10,471	12,050	13,370
Average Annual Growth					
Over Preceding Decade (%)	2.1	1.2	1.7	1.4	1.0
Median Age (Years)	27.1	30.4	33.2	36.9	40.1
Age Group Shares (%)					
0-14	28.3	21.6	20.2	19.2	17.0
15-24	18.4	19.1	14.5	12.8	12.8
25-44	26.0	29.5	34.3	31.9	27.5
45-64	19.0	19.9	19.5	23.3	28.2
65-74	5.1	6.1	6.9	7.0	7.8
75+	3.2	3.8	4.6	5.8	6.7
Total Fertility Rate	2.1	1.6	1.7	1.7	1.7
Life Expectancy (Years)					
Male	69.6	72.3	75.0*	76.1	78.1
Female	76.8	79.0	80.0*	82.0	84.3
Families** (000's)	1,910	2,330	2,830	3,350	3,730
Households** (000's)	2,270	3,040	3,780	4,510	5,140

* Preliminary.

** Estimates for 1971 through 1991.

Sources: Statistics Canada and projections of Ontario Ministry of Finance

Data Appendix

Table 21 **Ontario, Components of Population Growth, 1981/82 - 1992/93**

	(thousands)					
	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87
Population at Beginning of Period	8,837.8	8,951.4	9,073.4	9,206.2	9,334.4	9,477.2
Births	123.1	126.8	128.0	131.9	133.5	134.9
Deaths	62.9	64.9	64.1	66.4	67.1	67.4
Immigrants	57.8	44.9	40.1	40.3	43.1	70.2
Emigrants	25.5	27.0	26.1	24.7	22.5	21.0
Interprovincial Arrivals	84.7	87.0	90.8	87.1	89.7	104.6
Interprovincial Departures	85.8	61.7	50.5	53.1	57.0	58.5
Net Non-Permanent Residents	9.1	3.0	1.7	0.1	10.4	32.3
Population Growth During Period	113.6	122.0	132.8	128.2	142.8	207.7
Population at End of Period	8,951.4	9,073.4	9,206.2	9,334.4	9,477.2	9,684.9
Population Growth (%)	1.3	1.4	1.5	1.4	1.5	2.2

Table 21 (continued)

	(thousands)					
	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93
Population at Beginning of Period	9,684.9	9,884.4	10,151.0	10,341.4	10,471.2	10,609.8
Births	135.7	140.8	150.1	150.6	150.6	152.0
Deaths	70.2	69.7	71.3	71.5	72.8	73.4
Immigrants	85.2	98.3	108.6	113.9	127.3	141.8
Emigrants	17.9	17.5	16.7	18.6	20.8	19.9
Interprovincial Arrivals	99.2	89.0	84.1	69.7	84.2	82.8
Interprovincial Departures	68.7	80.7	94.3	79.8	87.1	87.4
Net Non-Permanent Residents	24.9	95.4	20.0	-43.8	-42.9	-59.4
Population Growth During Period	199.5	266.6	190.4	129.8	138.5	136.6
Population at End of Period	9,884.4	10,151.0	10,341.4	10,471.2	10,609.8	10,746.3
Population Growth (%)	2.1	2.7	1.9	1.3	1.3	1.3

Notes: 1. Data are from July 1 to June 30.

2. The sum of the components may not equal the total change in population due to residual errors in estimation and the exclusion of returning Canadians.

Source: Statistics Canada

1993 Ontario Economic Outlook

Table 22 **Ontario, Labour Force, 1981 - 1993**

	1981	1982	1983	1984	1985	1986	1987
Labour Force (000's)	4,463	4,502	4,561	4,655	4,758	4,862	4,992
Annual Labour Force Growth (%)	2.6	0.9	1.3	2.1	2.2	2.2	2.7
Participation Rate (%)							
Male	80.4	79.3	78.6	78.5	78.7	78.9	78.9
Female	55.5	55.9	56.5	57.4	58.1	58.6	59.7
Share of Labour Force (%)							
Youth (15-24)	24.9	24.0	23.5	23.1	22.5	22.0	21.6
Older Worker (45+)	28.4	28.3	27.8	27.4	27.6	26.8	26.9

Table 22 (continued)

	1988	1989	1990	1991	1992	1993*
Labour Force (000's)	5,118	5,214	5,268	5,276	5,286	5,369
Annual Labour Force Growth (%)	2.5	1.9	1.0	0.2	0.2	1.5
Participation Rate (%)						
Male	78.7	78.8	77.8	76.3	75.2	75.0
Female	61.0	61.2	61.4	60.8	59.7	59.6
Share of Labour Force (%)						
Youth (15-24)	20.6	20.0	19.1	18.2	17.6	17.0
Older Worker (45+)	27.0	26.9	27.2	27.3	28.3	28.7

* Preliminary

Note: 1993 data are for the first ten months.

Sources: Statistics Canada and Ontario Ministry of Finance

Data Appendix

Table 23	Ontario, Employment, 1981 - 1993						
	1981	1982	1983	1984	1985	1986	1987
Total Employment (000's)	4,171	4,063	4,089	4,235	4,377	4,524	4,689
Male	2,427	2,329	2,322	2,396	2,465	2,541	2,621
Female	1,744	1,735	1,767	1,839	1,912	1,983	2,067
Annual Employment Growth (%)	2.9	-2.6	0.6	3.6	3.4	3.4	3.6
Net Job Creation (000's)	118	-108	26	146	142	147	165
Manufacturing Employment (% of total)	24.8	23.4	22.8	23.2	22.8	22.4	22.0
Services Employment (% of total)	65.1	67.2	67.8	67.6	67.9	68.3	68.4
Part-Time (% of total)	14.5	15.3	16.0	15.7	15.7	15.5	15.2
Average Hours Worked Per Week	37.2	37.0	37.4	37.6	37.3	37.7	37.7

Table 23 (continued)	1988	1989	1990	1991	1992	1993*
Total Employment (000's)	4,862	4,949	4,937	4,770	4,714	4,796
Male	2,688	2,730	2,693	2,576	2,536	2,595
Female	2,174	2,219	2,244	2,193	2,178	2,201
Annual Employment Growth (%)	3.7	1.8	-0.2	-3.4	-1.2	1.8
Net Job Creation (000's)	173	87	-12	-167	-56	83
Manufacturing Employment (% of total)	21.1	20.8	19.6	18.7	17.8	17.4
Services Employment (% of total)	69.4	69.1	70.6	72.2	73.5	73.9
Part-Time (% of total)	15.6	15.5	15.8	16.9	17.3	18.0
Average Hours Worked Per Week	38.2	38.6	38.1	37.3	36.7	37.2

* Preliminary

Note: 1993 data are for the first ten months.

Sources: Statistics Canada and Ontario Ministry of Finance

1993 Ontario Economic Outlook

Table 24 **Ontario, Unemployment, 1981 - 1993**

	1981	1982	1983	1984	1985	1986	1987
Total Unemployment (000's)	292	439	472	420	381	338	304
Unemployment Rate (%)	6.6	9.7	10.3	9.0	8.0	7.0	6.1
Male	6.0	9.7	10.4	8.7	7.6	6.6	5.4
Female	7.4	9.8	10.3	9.5	8.5	7.4	6.9
Toronto CMA	4.9	8.1	9.0	7.8	6.7	5.5	4.5
Northern Ontario	7.9	13.6	13.5	13.4	10.5	11.0	9.7
Youth (15-24)	12.3	17.2	17.8	14.9	13.1	11.5	9.8
Older Worker (45+)	3.7	6.2	6.6	6.1	5.5	4.6	4.5
Unemployment (% of total)							
Long-Term (27 weeks+)	14.0	16.4	25.8	22.4	19.7	18.0	16.4
Youth (15-24) Share	46.9	42.4	40.5	38.1	36.7	36.7	34.5
Older Worker (45+) Share	16.1	18.0	17.8	18.6	18.9	17.8	19.7
Average Duration (weeks)							
Youth (15-24)	12.0	13.5	17.1	14.2	12.5	12.3	10.7
Older Worker (45+)	18.6	18.5	25.4	25.4	23.7	23.5	22.1

Table 24 (continued)

	1988	1989	1990	1991	1992	1993*
Total Unemployment (000's)	256	264	331	506	572	574
Unemployment Rate (%)	5.0	5.1	6.3	9.6	10.8	10.7
Male	4.5	4.7	6.3	10.1	11.9	11.2
Female	5.6	5.5	6.3	9.0	9.6	10.0
Toronto CMA	3.7	4.0	5.3	9.8	11.4	11.1
Northern Ontario	7.8	7.4	8.2	11.2	12.6	12.5
Youth (15-24)	8.2	8.0	10.5	15.4	18.2	17.9
Older Worker (45+)	3.5	3.3	4.1	6.9	7.5	7.4
Unemployment (% of total)						
Long-Term (27 weeks+)	12.9	13.3	13.9	22.7	29.8	33.6
Youth (15-24) Share	34.0	31.8	32.0	29.2	29.7	28.6
Older Worker (45+) Share	18.8	17.8	17.5	19.6	19.5	20.0
Average Duration (weeks)						
Youth (15-24)	8.7	8.6	10.2	13.6	16.9	18.6
Older Worker (45+)	19.9	19.3	18.9	22.7	29.5	33.8

* Preliminary

Notes: 1. 1993 data are for the first ten months.

2. The unemployment rate for Toronto CMA and Northern Ontario were calculated using different regional definitions beginning in 1984.

Sources: Statistics Canada and Ontario Ministry of Finance

Data Appendix

Table 25 **Ontario, Unemployment Insurance and Social Assistance, 1981 - 1993**

	1981	1982	1983	1984	1985	1986	1987
UI Regular Beneficiaries (000's)	141	259	285	241	224	194	166
Maximum Weekly Insurable Earnings (\$)	315	350	385	425	460	495	530
Maximum Weekly Entitlement (\$)	189	210	231	255	276	297	318
Premium Rate							
Employer (\$/\$100 Insurable Earnings)	2.52	2.31	3.22	3.22	3.29	3.29	3.29
Employee (\$/\$100 Insurable Earnings)	1.80	1.65	2.30	2.30	2.35	2.35	2.35
Benefits Paid to Ontario (\$ millions)	1,258	2,381	2,859	2,517	2,551	2,483	2,387
Premiums Paid from Ontario (\$ millions)	1,862	1,816	2,799	3,158	3,574	3,946	4,379
Social Assistance Caseload (000's)	197	218	247	257	261	268	279

Table 25 (continued)

	1988	1989	1990	1991	1992	1993*
UI Regular Beneficiaries (000's)	169	163	222	319	322	320
Maximum Weekly Insurable Earnings (\$)	565	605	640	680	710	745
Maximum Weekly Entitlement (\$)	339	363	384	408	426	425
Premium Rate						
Employer (\$/\$100 Insurable Earnings)	3.29	2.73	3.15	3.92	4.20	4.20
Employee (\$/\$100 Insurable Earnings)	2.35	1.95	2.25	2.80	3.00	3.00
Benefits Paid to Ontario (\$ millions)	2,370	2,470	3,419	5,362	5,845	3,859
Premiums Paid from Ontario (\$ millions)	4,804	4,346	5,281	5,821	7,471	n.a.
Social Assistance Caseload (000's)	289	306	365	497	605	657

* Preliminary

Notes: 1. Unemployment Benefits Paid to Ontario are cumulative.

2. For 1993, U.I. Regular Beneficiaries and Benefits Paid to Ontario cover the first eight months.

3. Social Assistance caseload figure covers the first nine months of 1993.

Sources: Statistics Canada and Ontario Ministry of Community and Social Services

1993 Ontario Economic Outlook

Table 26 **Ontario, Major Layoffs, Strikes and Lockouts, 1981 - 1993**

	1981	1982	1983	1984	1985	1986	1987
Major Layoffs (no. of establishments)	130	235	120	122	116	92	93
Workers Affected by Major Layoffs (no.)	19,724	46,047	17,213	14,824	13,902	13,503	13,925
Share of Workers Laid Off Due to Closure (%)	35.0	24.2	38.5	53.1	55.5	60.2	72.6
Person Days Lost Due to Strikes and Lockouts (000's)	2,259	2,207	760	1,414	1,232	941	1,109

Table 26 (continued)

	1988	1989	1990	1991	1992	1993*
Major Layoffs (no. of establishments)	97	139	202	221	209	108
Workers Affected by Major Layoffs (no.)	13,266	17,526	31,787	25,957	27,529	13,367
Share of Workers Laid Off Due to Closure (%)	69.8	72.4	64.7	61.3	66.6	72.1
Person Days Lost Due to Strikes and Lockouts (000's)	1,362	869	2,958	454	578	136

* Preliminary

Notes: 1. 1993 data are for the first ten months, except Person Days Lost Due to Strikes and Lockouts which cover the first nine months.

2. Major Layoffs are those affecting at least 50 employees.

3. Major Layoffs, and Strikes and Lockouts are cumulative data.

Sources: Ontario Ministry of Labour and Ontario Ministry of Finance

Data Appendix

Table 27 **Ontario, Labour Compensation, 1981 - 1993**

	1981	1982	1983	1984	1985	1986	1987
Average Weekly Earnings (\$)	327.04	358.97	371.24	388.70	406.06	423.47	440.95
Increase (%)	11.7	9.8	3.4	4.7	4.5	4.3	4.1
CPI Inflation (%)	12.0	10.7	6.2	4.9	4.1	4.4	5.1
AWE Increase Less CPI Inflation (%)	-0.3	-0.9	-2.8	-0.2	0.4	-0.1	-1.0
AWE - Manufacturing (\$)	358.38	396.20	438.55	459.39	483.43	498.29	513.93
Increase (%)	12.1	10.6	10.7	4.8	5.2	3.1	3.1
Increase Less CPI Inflation (%)	0.1	-0.1	4.5	-0.1	1.1	-1.3	-2.0
Collective Bargaining Settlements (% Increase)							
500+	12.3	10.4	6.2	4.5	5.1	4.4	4.9
Public	12.7	11.9	6.2	5.4	5.2	5.0	4.9
Private	11.2	8.9	6.0	4.0	4.7	3.7	4.8
Minimum Wage at Year End (\$/hour)	3.50	3.50	3.50	4.00	4.00	4.35	4.55

Table 27 (continued)

	1988	1989	1990	1991	1992	1993*
Average Weekly Earnings (\$)	462.65	490.17	514.22	542.90	564.37	574.70
Increase (%)	4.9	5.9	4.9	5.6	4.0	2.3
CPI Inflation (%)	4.7	5.8	4.8	4.6	1.1	1.7
AWE Increase Less CPI Inflation (%)	0.2	0.1	0.1	1.0	2.9	0.6
AWE - Manufacturing (\$)	533.38	561.66	596.82	631.14	658.04	667.12
Increase (%)	3.8	5.3	6.3	5.8	4.3	1.7
Increase Less CPI Inflation (%)	-0.9	-0.5	1.5	1.2	3.2	0
Collective Bargaining Settlements (% Increase)						
500+	5.3	6.5	6.5	5.7	2.4	0.9
Public	5.0	6.5	7.0	6.1	2.2	0.7
Private	5.5	6.3	6.2	4.4	2.5	1.6
Minimum Wage at Year End (\$/hour)	4.75	5.00	5.40	6.00	6.35	6.35

* Preliminary

Notes: 1. Average Weekly Earnings (AWE) data for 1981 and 1982 are not comparable to subsequent years.

2. AWE excludes overtime.

3. AWE and Collective Bargaining Settlements for 1993 are for the first eight months.

Sources: Statistics Canada, Ontario Ministry of Labour and Ontario Ministry of Finance

1993 Ontario Economic Outlook

Table 28

Ontario, Employment by Occupation, 1981 - 1992

	(thousands)					
	1981	1982	1983	1984	1985	1986
Managerial/Professional	992	1,026	1,068	1,175	1,264	1,295
Clerical	767	737	718	742	760	757
Sales	420	435	437	405	400	438
Service	554	545	563	552	582	586
Primary	188	166	173	162	156	150
Processing	715	664	634	683	675	707
Construction	222	195	196	209	213	243
Transport Operating	143	136	133	139	154	152
Materials Handling	170	159	166	167	172	196
Total	4,171	4,063	4,089	4,235	4,377	4,524

Table 28 (continued)

	(thousands)					
	1987	1988	1989	1990	1991	1992
Managerial/Professional	1,374	1,470	1,478	1,521	1,570	1,574
Clerical	796	848	852	853	803	781
Sales	438	462	461	483	454	461
Service	591	601	604	607	591	614
Primary	150	153	153	144	140	138
Processing	715	712	747	696	638	599
Construction	262	265	295	291	241	225
Transport Operating	169	164	176	172	164	159
Materials Handling	193	187	184	168	169	163
Total	4,689	4,862	4,949	4,937	4,770	4,714

Source: Statistics Canada

Data Appendix

Table 29 **Ontario, Distribution of Employment by Occupation, 1981 - 1992**

	1981	1982	1983	1984	1985	1986
Total Employment (000's)	4,171	4,063	4,089	4,235	4,377	4,524
Occupational Shares (%)						
Managerial/Professional	23.8	25.3	26.1	27.7	28.9	28.6
Clerical	18.4	18.1	17.6	17.5	17.4	16.7
Sales	10.1	10.7	10.7	9.6	9.1	9.7
Service	13.3	13.4	13.8	13.0	13.3	13.0
Primary	4.5	4.1	4.2	3.8	3.6	3.3
Processing	17.1	16.3	15.5	16.1	15.4	15.6
Construction	5.3	4.8	4.8	4.9	4.9	5.4
Transport Operating	3.4	3.3	3.3	3.3	3.5	3.4
Materials Handling	4.1	3.9	4.1	3.9	3.9	4.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

Table 29 (continued)

	1987	1988	1989	1990	1991	1992
Total Employment (000's)	4,689	4,862	4,949	4,937	4,770	4,714
Occupational Shares (%)						
Managerial/Professional	29.3	30.2	29.9	30.8	32.9	33.4
Clerical	17.0	17.4	17.2	17.3	16.8	16.6
Sales	9.3	9.5	9.3	9.8	9.5	9.8
Service	12.6	12.4	12.2	12.3	12.4	13.0
Primary	3.2	3.1	3.1	2.9	2.9	2.9
Processing	15.2	14.6	15.1	14.1	13.4	12.7
Construction	5.6	5.5	6.0	5.9	5.1	4.8
Transport Operating	3.6	3.4	3.6	3.5	3.4	3.4
Materials Handling	4.1	3.8	3.7	3.4	3.5	3.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Statistics Canada and Ontario Ministry of Finance

1993 Ontario Economic Outlook

Table 30 **Ontario, Employment by Sector ¹, 1983 - 1992**

	(thousands)				
	1983	1984	1985	1986	1987
Autos & Parts Manufacturing ²	109	121	128	133	138
Business Equipment & Related Services ³	217	230	244	252	260
Resource-Based Industries ⁴	278	271	264	267	272
Housing & Non-Residential Construction ⁵	304	334	364	405	418
Wholesale & Retail Trade	665	688	710	727	745
Consumer Products Manufacturing ⁶	208	209	209	217	218
Consumer Services & Tourism ⁷	321	324	338	360	402
Business Services ⁸	695	710	747	775	800
Industrial Materials Manufacturing ⁹	134	139	137	136	137
Broader Public Sector ¹⁰	848	870	890	900	946
Total	3,778	3,896	4,032	4,173	4,335

Table 30 (continued)

	(thousands)				
	1988	1989	1990	1991	1992
Autos & Parts Manufacturing ²	140	144	135	120	117
Business Equipment & Related Services ³	260	277	259	222	207
Resource-Based Industries ⁴	268	276	256	237	236
Housing & Non-Residential Construction ⁵	427	448	434	362	341
Wholesale & Retail Trade	764	806	841	762	764
Consumer Products Manufacturing ⁶	217	215	195	169	155
Consumer Services & Tourism ⁷	410	430	424	374	361
Business Services ⁸	828	849	857	829	801
Industrial Materials Manufacturing ⁹	141	147	134	123	105
Broader Public Sector ¹⁰	974	996	1,033	1,052	1,050
Total	4,429	4,586	4,568	4,251	4,137

- Notes: 1. Based on Statistics Canada's Survey of Employment, Payrolls and Hours, supplemented by Labour Force Survey data for agriculture, fishing, trapping and religious organizations. SEPH provides more industry detail than the LFS, but it excludes self-employed persons, military personnel and unpaid absentees.
2. Motor vehicle parts and assembly; trucks, buses and trailers; tires and other rubber products.
3. Machinery; transportation equipment other than autos; electrical equipment for industry, offices, stores and communications; scientific and professional instruments; office furniture; and services such as computer programmers, architects, and engineers.
4. Agriculture, meat, fruit, vegetable, dairy and tobacco products; fishing and trapping; forestry, wood, pulp and paper products; mining, smelting and refining.
5. Construction; and manufactured construction materials such as fabricated metal products, concrete, brick and glass.
6. Beverages; highly processed foods; clothing, textile and leather products; household furniture; consumer appliances and electronics; jewellery; toys and sporting goods.
7. Accommodation, food and beverage services; recreational services; personal and household services.
8. Transportation, communications and utilities; finance and insurance; accounting, advertising, legal and management consulting services; printing and publishing.
9. Steel and other metal rolling, casting and extruding; plastics; chemicals and petroleum refining.
10. Federal, provincial and local public administration, education; health and social services.

Source: Ontario Ministry of Finance estimates using data from Statistics Canada

Data Appendix

Table 31 **Ontario, Distribution of Employment by Sector¹, 1983 - 1992**

	(per cent)				
	1983	1984	1985	1986	1987
Autos & Parts Manufacturing ²	2.9	3.1	3.2	3.2	3.2
Business Equipment & Related Services ³	5.7	5.9	6.0	6.0	6.0
Resource-Based Industries ⁴	7.4	7.0	6.5	6.4	6.3
Housing & Non-Residential Construction ⁵	8.0	8.6	9.0	9.7	9.6
Wholesale & Retail Trade	17.6	17.7	17.6	17.4	17.2
Consumer Products Manufacturing ⁶	5.5	5.4	5.2	5.2	5.0
Consumer Services & Tourism ⁷	8.5	8.3	8.4	8.6	9.3
Business Services ⁸	18.4	18.2	18.5	18.6	18.5
Industrial Materials Manufacturing ⁹	3.5	3.6	3.4	3.2	3.2
Broader Public Sector ¹⁰	22.4	22.3	22.1	21.6	21.8
Total	100.0	100.0	100.0	100.0	100.0

Table 31 (continued)

	(per cent)				
	1988	1989	1990	1991	1992
Autos & Parts Manufacturing ²	3.2	3.1	3.0	2.8	2.8
Business Equipment & Related Services ³	5.9	6.0	5.7	5.2	5.0
Resource-Based Industries ⁴	6.1	6.0	5.6	5.6	5.7
Housing & Non-Residential Construction ⁵	9.6	9.8	9.5	8.5	8.2
Wholesale & Retail Trade	17.3	17.6	18.4	17.9	18.5
Consumer Products Manufacturing ⁶	4.9	4.7	4.3	4.0	3.7
Consumer Services & Tourism ⁷	9.3	9.4	9.3	8.8	8.7
Business Services ⁸	18.7	18.5	18.8	19.5	19.4
Industrial Materials Manufacturing ⁹	3.2	3.2	2.9	2.9	2.5
Broader Public Sector ¹⁰	22.0	21.7	22.6	24.8	25.4
Total	100.0	100.0	100.0	100.0	100.0

- Notes: 1. Based on Statistics Canada's Survey of Employment, Payrolls and Hours, supplemented by Labour Force Survey data for agriculture, fishing, trapping and religious organizations. SEPH provides more industry detail than the LFS, but it excludes self-employed persons, military personnel and unpaid absentees.
2. Motor vehicle parts and assembly; trucks, buses and trailers; tires and other rubber products.
3. Machinery; transportation equipment other than autos; electrical equipment for industry, offices, stores and communications; scientific and professional instruments; office furniture; and services such as computer programmers, architects, and engineers.
4. Agriculture, meat, fruit, vegetable, dairy and tobacco products; fishing and trapping; forestry, wood, pulp and paper products; mining, smelting and refining.
5. Construction; and manufactured construction materials such as fabricated metal products, concrete, brick and glass.
6. Beverages; highly processed foods; clothing, textile and leather products; household furniture; consumer appliances and electronics; jewellery; toys and sporting goods.
7. Accommodation, food and beverage services; recreational services; personal and household services.
8. Transportation, communications and utilities; finance and insurance; accounting, advertising, legal and management consulting services; printing and publishing.
9. Steel and other metal rolling, casting and extruding; plastics; chemicals and petroleum refining.
10. Federal, provincial and local public administration, education; health and social services.

Source: Ontario Ministry of Finance estimates using data from Statistics Canada

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Ontario Economic Outlook

1994 - 1998



ONTARIO ECONOMIC OUTLOOK 1994 - 1998

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November 1994

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Erratum

On pages 1, 8, 10 and 99, the phrase:

"over the first nine months of 1994, 137,000 jobs have been created"

should read:

"over the last nine months, 137,000 jobs have been created" .

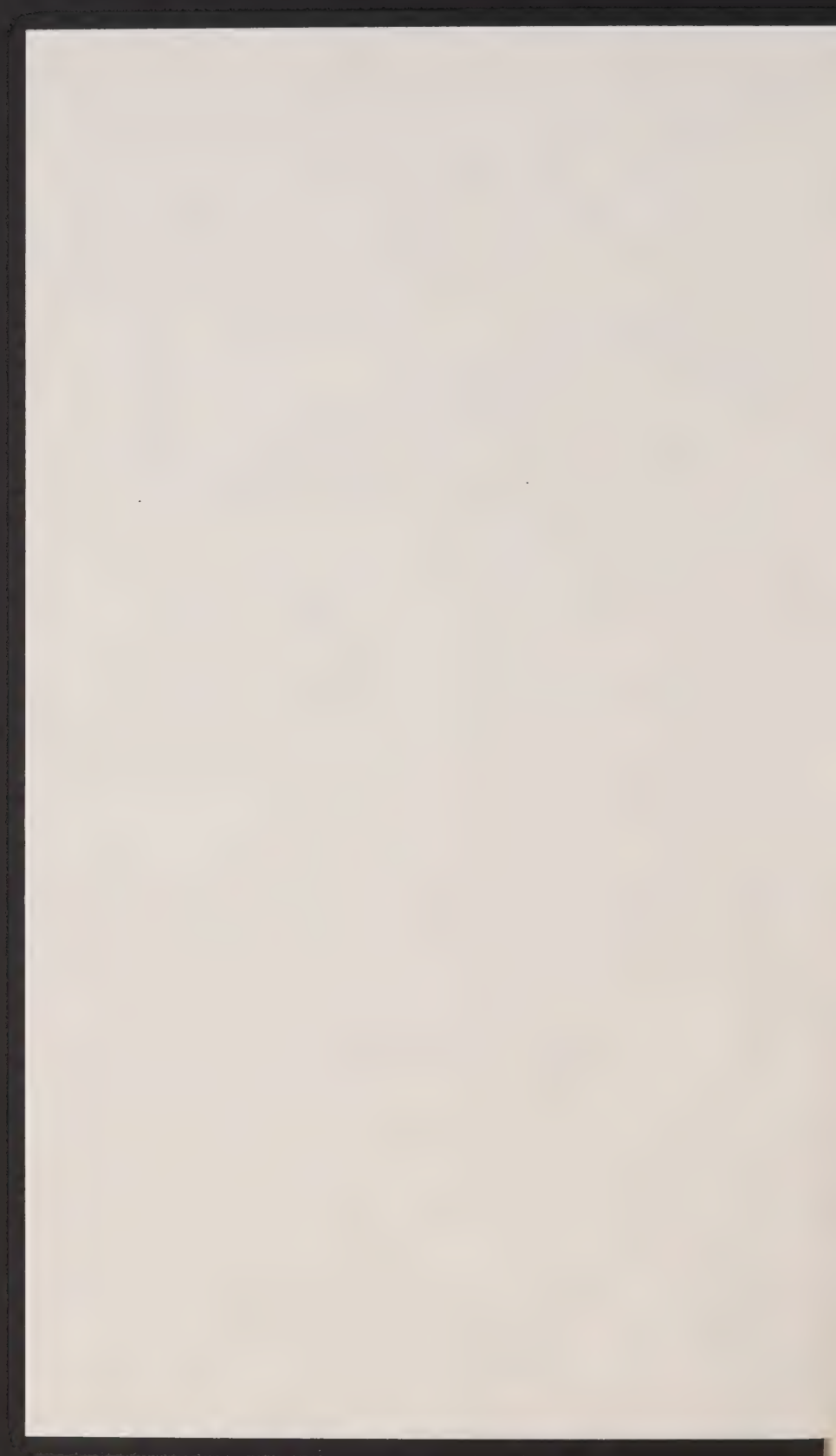


Table of Contents

Minister's Preface	1
I. Macroeconomic Outlook	7
Overview	7
The Economic Setting	11
Sources of Economic Growth	18
II. Ontario's Fiscal Situation and Outlook	21
Overview	21
How Ontario's Fiscal Policy Has Evolved	21
Ontario's Fiscal Strategy	23
The Fiscal Outlook	24
III. A Strengthening Labour Market	27
Overview	27
Recent Job Creation Performance	28
The Job Outlook	34
Building on Past Successes to Address Continuing Labour Market Challenges	38
IV. Sectoral Outlook	51
Overview	51
Investing for Recovery and Growth	52
Sector Highlights:	
Autos and Parts	57
Business Equipment and Related Services	58
Financial, Business and Distribution Services	59
Industrial Materials	61
Agricultural and Resource-based Industries	62
Construction	63
Retail, Consumer Products and Services	66
Leisure and Tourism	67
Broader Public Sector	68
V. Community and Regional Outlook	71
Overview	71
A Picture of Ontario's Communities and Regions	71
Partnerships for Economic Growth	77
The Southwest	79
The North	83
The East	87
Central Ontario	89
The Greater Toronto Area	93
VI. Growth Through Partnership	99
Data Appendix	
List of Tables	104

Minister's Preface

Ontario's economy has gathered strength and will experience sustained growth through the second-half of the 1990s. This Economic Outlook explains where that growth will come from and how it will shape Ontario over the next four years. It looks at the impact of economic change on individual sectors, the labour market, and our cities, towns and regions. This document also outlines how we are delivering on our priorities of creating jobs, maintaining and improving services, and reducing the deficit.

Real output in Ontario will grow by 4.5 per cent this year — the strongest growth we've seen since 1988 — and by more than 4 per cent during each of the next four years. The Ontario economy will create 570,000 jobs over this period.

The current pace of growth is impressive:

- The Ontario economy is now growing at its fastest rate in six years;
- Over the first nine months of 1994, 137,000 jobs — nearly all of them full-time — have been created in Ontario;
- By almost every aggregate measure — corporate profits, manufacturing shipments, business and consumer confidence — the economy is growing steadily stronger.

Ontario's pace of growth and job creation is among the fastest in Canada. Forecasters believe this province will grow faster over the medium term than any G-7 economy.

The basis of this growth is confidence in Ontario as a place to work, to live, and to do business. The Ontario government has played a role in building that confidence. We have helped workers and businesses to work together, to forge new partnerships and to build the capacity to compete around the world. We are making growth sustainable through sound management that balances the needs of Ontario both today and for the future.

Creating high-quality, full-time jobs has been this Government's number-one priority, and that's reflected in the results the economy is achieving.

We've helped with programs like **jobsOntario Training**, which has created more than 65,000 private-sector job opportunities to date, and capital spending projects that will support or create more than 100,000 jobs in 1994 alone.

Equally important are the partnerships we are helping to build in sectors, communities and firms so that they can create jobs.

We are bringing together employers and workers in industries as diverse as aerospace, construction, winery and culture to develop strategies for their future prosperity.

Across the province, local training and adjustment boards will draw on the expertise of business, labour and their communities to design and deliver the training Ontario workers need in our rapidly changing economy.

The Province and its agencies are also helping to make the cost of doing business in Ontario much more competitive today and in the future:

- We cut payroll taxes for new employees to create 12,000 permanent jobs and provided new tax incentives for R&D expenditures, while holding the line on other taxes in the 1994 Budget;
- Ontario Hydro recently cut electricity rates for many big users and held the line for everyone else;
- The Workers' Compensation Board froze average assessment rates.

Ontario has also benefitted from the return of the Canadian dollar to a competitive range, where we expect it to remain over the forecast period. In addition, profound restructuring over the past several years has boosted the productivity of Ontario industries. These factors, and increased demand in the United States, have pushed up exports and encouraged firms to invest here.

Ontario's fundamental strengths position it favourably to move into the new and growing export markets of Europe, Asia and Latin America. Helping Ontario firms to find and build on new trade opportunities is a major priority for us.

As the pace of growth has picked up, its impact has also widened. In 1993, expansion was driven primarily by exports and new business investment. In 1994, growth was caused mainly by a solid increase in domestic demand as people returned to work and started spending their money here in Ontario.

Over the next four years we expect strong growth in virtually every major sector of the economy and every region of the province.

Export-oriented industries such as autos, business equipment and industrial materials will continue to perform strongly over the medium term, as will the suppliers of goods and services to these sectors. At the same time, the domestic market will continue to grow as home sales and consumer spending expand further, helping to fuel job creation.

From the start, our first priority has been creating jobs. But it is closely linked to our other goals — maintaining public services and bringing the deficit down. Because of these links we have always sought to balance our priorities, not to pursue one at the expense of the others.

Ontario has worked to create a climate that encourages investment and economic growth. We know that increased growth and employment will help bring our Budget into balance without severe cuts in service. But growth will not be enough. We must continue to work to eliminate our operating deficit.

We have made a great deal of progress. We're cutting the cost of government while maintaining and improving public services. We've reduced our own overhead costs by 16 per cent over the past three years. Spending on programs fell by 3.4 per cent in 1993 — the first time in more than 50 years that the cost of government programs has fallen. Spending is projected to decline again in the 1994 fiscal year.

We are working hard with our transfer partners — schools, hospitals, universities, municipalities — across Ontario to help them find permanent cost savings.

We must continue to bring the deficit down. We will not allow ourselves to get into the vicious circle the federal government now finds itself in — where an escalating debt burden handcuffs its capacity to respond to the needs of the people and the economy.

Last spring we laid out a fiscal plan, based on cautious economic assumptions, designed to produce a balanced operating budget by 1998. We remain committed to achieving this plan.

But cutting the deficit is only part of the equation. Government hasn't done its job unless people in Ontario have high quality, secure jobs.

It has required leadership — and a determination to work in partnership with firms, workers, and communities across the province — to tackle the fiscal crisis. Now we need to focus that energy on creating jobs and investing in the future.

We must work to ensure that our economy draws on the skills and talents of all workers to create greater workplace equity. Unless we increase job opportunities for everyone in society, we will all pay — through lower tax revenues and higher welfare costs. One of the most important goals now is to broaden the benefits of economic expansion. These are some of the most significant job creation challenges we now face:

- **Young people who can't get that vital first job.** Failing to get a job in the critical years after leaving school can cause long-term harm to attitudes and work habits. We must ease the transition from school to work during this crucial period.
- **People who want a job, but can't find one.** There are too many barriers in the way of the long-term unemployed and social-assistance recipients who can and want to work. We must help them to enter the workforce.
- **Jobs that are changing radically.** Whole groups of workers — for example, clerical staff, public-sector workers — are seeing their jobs change dramatically because of new technologies

and shifts in their organizations. We must make sure these workers have the skills to cope with new technology or, if the changes threaten to take them out of the workforce, to help them move into new jobs.

- **Work weeks that are too short — or too long.** Many workers have well paid, stable jobs — often involving overtime — while others can find only part-time or temporary work. We must find ways to help improve the distribution of work.

These are the priorities that my colleagues and I will be talking about as we meet with people across Ontario in preparation for our 1995 Budget. We believe some of the solutions will lie in the same partnerships among workers, employers, and communities that have brought us this far. And we think that continuing our strategy of giving workers the skills they need to succeed will also be crucial. To create a workable Budget plan from this starting point we need to hear your ideas, so that together we can build on the solid foundation that's now in place.



Hon. Floyd Laughren
Minister of Finance

I: Macroeconomic Outlook

Overview

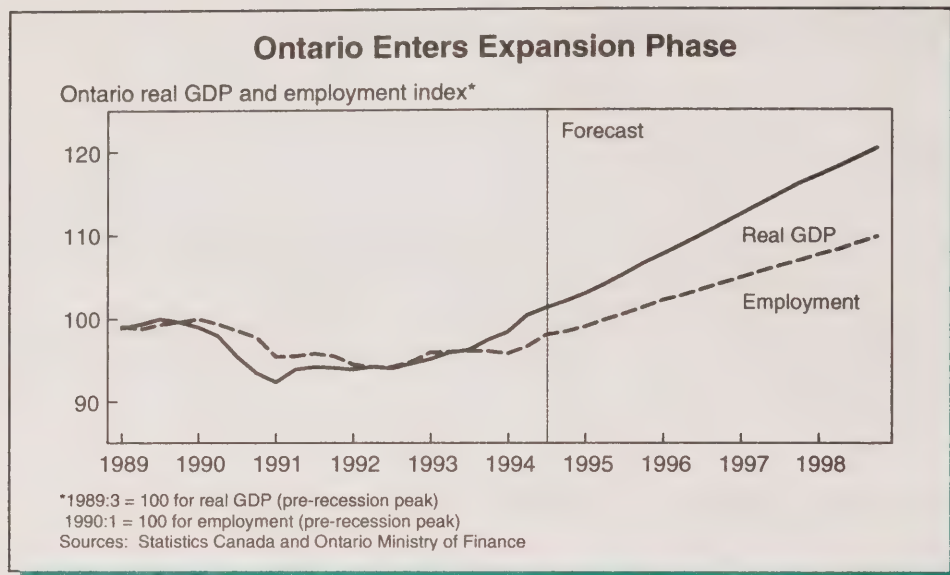
The Ontario economy has gained considerable momentum during the past year, outperforming the 1994 Budget forecast. Real output expanded by 4.5 per cent in 1994¹, posting its strongest performance since 1988. This has pushed provincial output above its pre-recession peak.

The Economic Expansion is Strong and Sustainable

Key signs point to continuing strong growth. The expansion is broadly based, propelled by revitalized consumer spending, robust exports and strong business investment in new equipment. Solid full-time job creation is increasing domestic demand, while exceptional gains in Ontario's competitive position and growing demand in the U.S. are boosting the province's exports. The Ministry of Finance projects real growth for the Ontario economy of 4.2 per cent in 1995, rising to 4.3 per cent on average for the 1996 to 1998 period.

Ontario Economic Outlook at a Glance ¹ Per cent			
	1994	1995	1996-98 Average
Real Growth	4.5	4.2	4.3
Employment Growth	1.3	3.0	2.7
Unemployment Rate	9.7	9.0	7.8 ²
CPI Inflation	0.1	1.3	1.7
¹ See data appendix for a more detailed economic forecast table. ² 1998 average. Source: Ontario Ministry of Finance			

¹ Unless otherwise indicated, all full-year figures for 1994 are Ministry of Finance estimates.



Job Creation is Accelerating

The economy is generating jobs at a pace not seen for some time. Over the first nine months of 1994, 137,000 net new jobs were created in Ontario — 117,000 of these full-time. This accounts for almost half of the jobs created in Canada during this period and is the longest and strongest period of job growth in Ontario in six years.

Vigorous full-time job creation underpins our forecast for a healthy and sustained expansion for the provincial economy. Average annual employment is forecast to increase by 3.0 per cent, or 147,000 jobs in 1995. From 1996 to 1998, employment will rise by an average 2.7 per cent or 141,000 jobs a year. Robust job creation will lead to improved domestic demand, especially for housing.

Unemployment is Falling

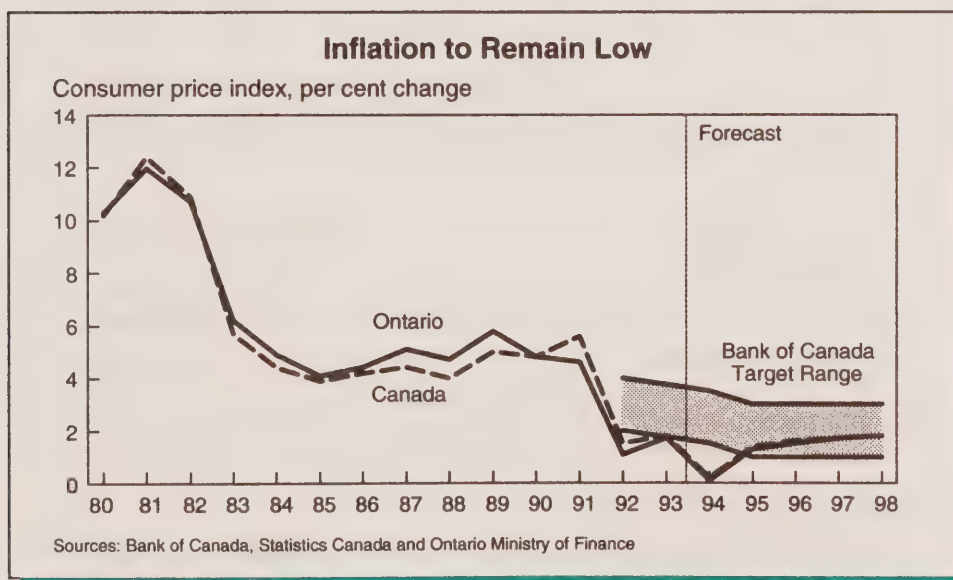
Rising employment levels and slow labour force growth have reduced Ontario's annual average unemployment rate to 9.7 per cent in 1994. The unemployment rate will decline to 9.0 per cent in 1995, as job growth accelerates. With job prospects improving, many people who quit looking for work as a result of the recession will return to the labour market. This will moderate the

decline in the unemployment rate, which nevertheless is expected to fall to 7.8 per cent in 1998.

Growth will be Strong and Inflation will Remain Low

Strong economic growth and solid job creation will be matched by low inflation in the second half of the 1990s. Inflation will be kept low as a result of continuing slack in the economy, greater international competition, and strong investment, which will reduce inflation by improving domestic productivity.

On average, consumer prices increased by only 0.1 per cent in 1994, in part because of lower tobacco taxes. Although some production costs are rising — such as higher prices for imported goods and raw materials — strong competition, high unemployment and excess industrial capacity are limiting the ability of retailers to pass along these higher costs to consumers. CPI inflation is forecast to average 1.3 per cent in 1995, rising modestly to an average of 1.7 per cent annually over the medium term.



The Ontario Economy has Gained Momentum

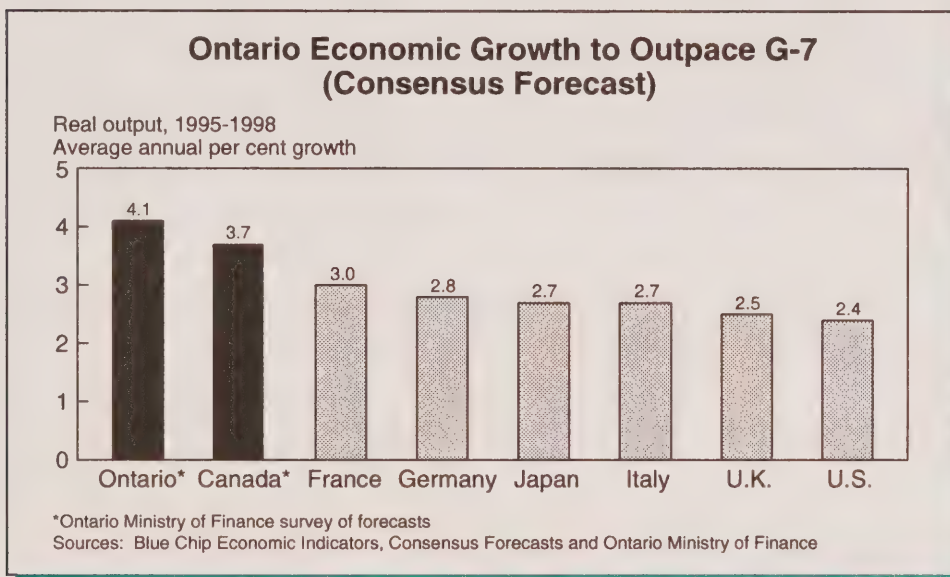
A wide range of indicators confirm the good news for the Ontario economy.

- Real output in Ontario expanded by 8.4 per cent at annual rates in the second quarter of 1994, the strongest pace of growth in six years.
- Ontario has created 137,000 jobs over the first nine months of 1994. Employment has risen by 219,000 since the recovery in jobs began in May 1992.
- The unemployment rate dropped to 9.0 per cent in October, its lowest level since January 1991.
- Retail sales over the first nine months of 1994 jumped 6.7 per cent from year-earlier levels. As of September, year-to-date new car sales in Ontario increased by 8.5 per cent.
- Housing starts were up 10.2 per cent during the first three quarters of 1994 from the same period a year ago. Home resales rose 11.4 per cent during the January-to-September period from a year ago.
- Consumer confidence in Ontario has risen to its highest level in five years according to the Conference Board. National business confidence is at a level not seen since 1979.
- As of September, year-to-date manufacturing shipments increased 9.7 per cent.
- During the first half of 1994, real business investment in equipment surged 18 per cent from a year earlier.
- Ontario's real international and interprovincial exports rose 10 per cent during the first six months of 1994 compared to the same period last year.
- Over the first ten months of 1994, the number of workers affected by major layoffs in Ontario fell 26 per cent from the same period in 1993.

The Economic Setting

The Foundation for Sustained Economic Expansion

Forecasters expect the Ontario economy to grow vigorously over the next several years, substantially outpacing growth in the rest of Canada and all G-7 nations during the 1995 to 1998 period. Forecasters also predict Ontario inflation to be lower than all G-7 countries, except Japan.



Ontario's underlying strengths position it favourably for a solid and durable expansion in the second half of the 1990s. Ontario's advanced economy is diversified, open and based on a sophisticated institutional and physical infrastructure. A highly-skilled and well-educated population places our workers among the most flexible and productive in the world.

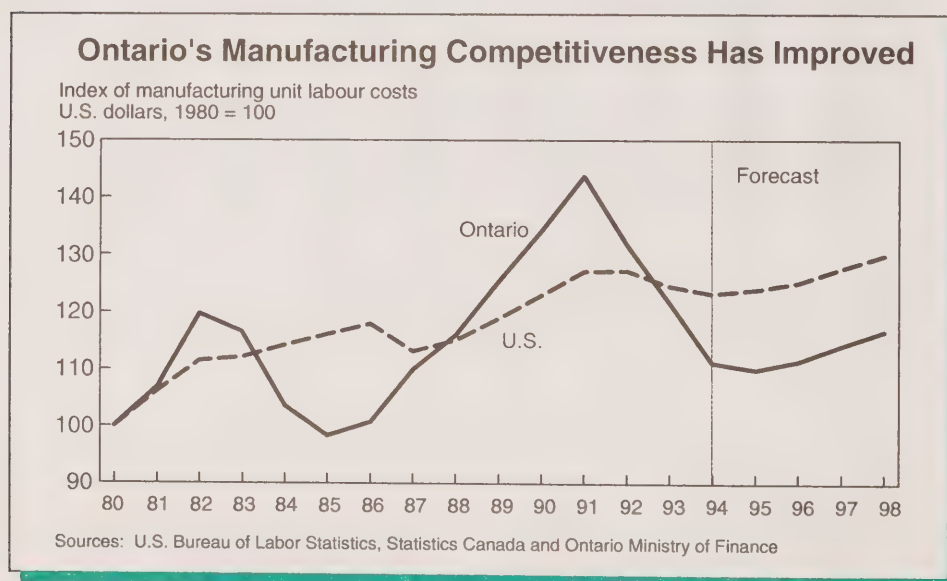
The expectation of strong, non-inflationary growth in Ontario also reflects the *output gap* that developed during the recession and, until recently, the sluggish recovery. The output gap refers to the difference between the economy's actual production of goods and services and its potential level of output if all resources were fully utilized. The under-utilization of productive resources — high unemployment and excess plant capacity — means that the Ontario economy can expand at a rate well above its long-term

1994 ONTARIO ECONOMIC OUTLOOK

growth potential of about 3 per cent for many years without leading to higher inflation.

During the recession, many households lost income and had to cut spending. This has led to substantial pent-up demand, particularly for housing and autos. Strong employment growth, rising incomes and improving confidence should encourage significantly higher consumer spending over the next several years to satisfy this pent-up demand.

The province endured a prolonged period of extensive restructuring in which many of our firms downsized and cut staff in order to survive. Businesses also increased investment in new equipment and processes, and individuals re-trained. We are now beginning to see the dividends of these efforts in improved productivity and competitiveness, and new jobs.

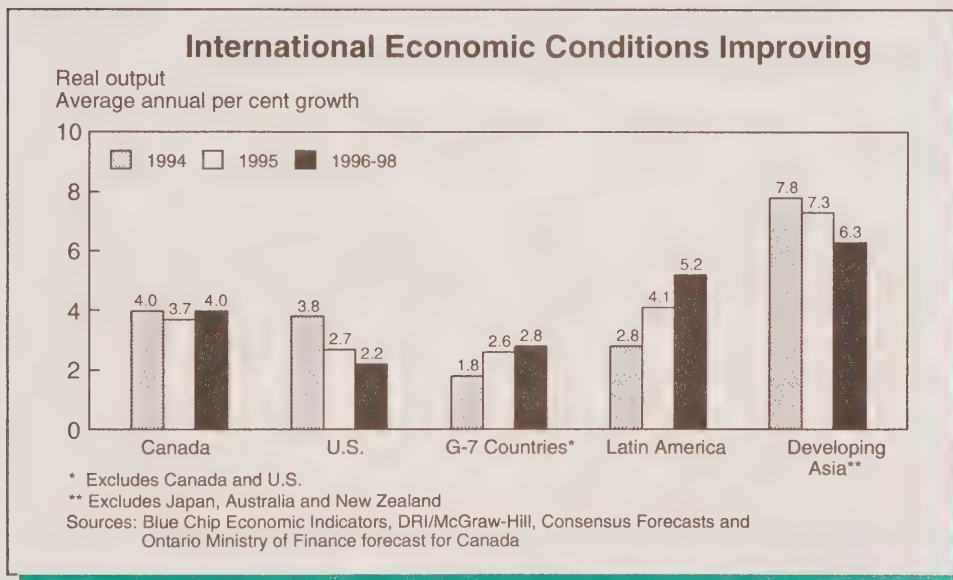


Since 1991, Ontario's manufacturing unit labour costs measured in U.S. dollars have decreased by about 23 per cent, compared to a 3 per cent decline in U.S. costs. The depreciation of the dollar accounted for most of this striking improvement in Ontario's competitive position. However, even in local currency terms, Ontario's unit labour costs have fallen almost 8 per cent, more than twice the 3 per cent decline in the United States.

Healthy productivity growth over the 1995 to 1998 period will further reduce Ontario's unit labor costs in Canadian dollar terms. The Canadian dollar is expected to rise over the forecast period reflecting Canada's better inflation performance and an improving current account balance. This will moderate the improvement in Ontario's competitive position produced by strong productivity growth and low inflation.

Canadian and International Economies are Expanding

Much of the strength of Ontario's economic recovery can be traced to rapidly rising exports to meet growing demand from the United States. Exports to the rest of Canada have also expanded vigorously. Improving growth in the rest of the world is further bolstering trade and will support Ontario's economic expansion in the coming years.



Canadian Expansion is Strengthening

Canada's economic growth has accelerated. In the second quarter of this year, the national economy expanded at a 6.4 per cent annual rate. This broadly-based growth was the strongest quarterly advance since mid-1987. The Canadian economy has

now expanded for the past three years, and real output has exceeded its pre-recession peak by almost 4 per cent.

- We forecast Canadian real GDP to rise by 3.7 per cent in 1995, following a 4.0 per cent increase in 1994. During the 1996 to 1998 period, real growth will average 4.0 per cent annually.
- Real growth in Ontario is outpacing growth in the rest of Canada. Excluding Ontario, the rest of Canada expanded by 3.7 per cent in 1994, compared to 4.5 per cent in Ontario. Growth in the rest of the nation is expected to moderate to 3.4 per cent in 1995, then average 3.8 per cent per year in the medium term. This pace of economic expansion will be less than in Ontario, but better than in other G-7 countries.

Growth in U.S. Economy to Moderate

The U.S. economy expanded strongly during 1994. Real growth averaged 3.6 per cent at annual rates during the first three quarters of 1994, following growth of more than 6 per cent in the fourth quarter of 1993. The U.S. economy is close to full capacity. This is generating expectations of higher inflation which are pushing up interest rates. Forecasters expect economic growth in the United States to moderate to a more sustainable pace.

- Private-sector forecasters expect U.S. economic growth to moderate from 3.8 per cent in 1994 to 2.7 per cent in 1995, as the impact of higher interest rates takes hold on a maturing expansion. Over the 1996 to 1998 period, real growth will average 2.2 per cent annually.

If U.S. growth does not slow from its current pace, interest rates in the United States could move much higher. This would lead to a more substantial slow-down in U.S. growth than expected and hurt Ontario exports.

Global Economic Conditions are Improving

The economic expansion in the U.S. is more advanced than in Europe or Japan. However, the speed and strength of recovery in major European nations and Japan are causing upward revisions to forecasts for these countries. Rapid economic growth is expected to continue in other Asian countries and in Latin America.

- Private-sector forecasters expect real output for the G-7 nations, excluding Canada and the U.S., to grow by 2.6 per cent in 1995 and by an annual average of 2.8 per cent over the medium term.
- Impressive economic growth will continue in developing Asian nations during the 1990s, led by a strong expansion in China. According to DRI, these nations will grow by more than 6 per cent annually over the next four years.
- DRI forecasts growth in Latin America to accelerate from under 3 per cent in 1994 to over 5 per cent a year during the medium term.

The rapidly expanding economies of Asia and Latin America will be growing markets — as well as strong competitors — for internationally-traded goods and services. Diversifying and developing new markets for Ontario's exports is a government priority.

Canada's Current Account Deficit

In 1993, Canada had a current account deficit of \$31 billion. This is a measure of how much our debt to the rest of the world increased. The current account records our trade in goods, services, investment income and transfer payments with the rest of the world.

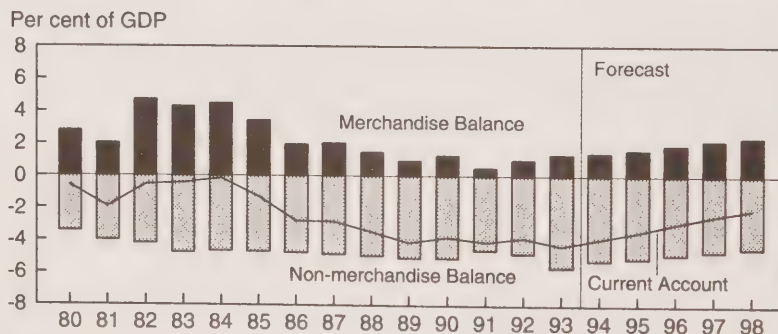
Since 1980, Canada has consistently recorded a surplus in its merchandise trade balance and run a deficit in its non-merchandise transactions balance.

The chart below indicates the deterioration of Canada's current account deficit as the non-merchandise deficit share of GDP increased while the merchandise trade surplus declined.

The deterioration of the non-merchandise balance is largely due to growth in interest and dividend payments, reflecting our rising international debt.

However, with a strengthening trade balance and falling government deficits, Canada's current account deficit is expected to improve throughout the forecast period, falling to 2.1 per cent of GDP by 1998 from a peak of 4.3 per cent in 1993.

Strong Trade Performance to Improve Current Account Balance



Sources: Statistics Canada and Ontario Ministry of Finance

Financial Markets

Canadian interest rates have been pushed higher during 1994. The rise reflects increasing U.S. rates due to expectations of higher inflation and higher international interest rates as the global economy strengthens. In Canada, concern over government debt levels and political uncertainty resulted in a larger increase in interest rates than in the United States.

While Canadian lending rates eased following the Quebec election, rising U.S. rates are now putting upward pressure on Canadian rates. But lower inflation and reduced government deficits in Canada should allow Canada-U.S. interest rate spreads to narrow, limiting the rise in Canadian lending rates. Over the medium term, slower growth in the United States is expected to result in lower interest rates in both the U.S. and Canada.

In mid-November, Canada's prime lending rate was 7 per cent, up from a low of 5.5 per cent in early 1994. We expect the prime rate to average 7.75 per cent in 1995, before easing to an average near 6.5 per cent over the 1996 to 1998 period.

The absence of any inflationary threat in Canada permits a monetary policy that aims at putting the economy back to work and offsets the impact of fiscal restraint. This means that the Bank of Canada should focus on domestic economic conditions and not overreact to financial developments in the United States.

Indeed, the Canadian economy *could* grow significantly faster than we have projected without generating higher inflation. The large gap between what the economy is now producing and what it is capable of producing could be closed more rapidly if the Bank of Canada aimed at a policy that fostered economic growth and job creation.²

On the other hand, if Canadian interest rates move significantly higher because of higher U.S. lending rates or tighter monetary

² This position is argued forcefully by one of Canada's leading economists, Pierre Fortin, in *A Diversified Strategy for Deficit Control: Combining Faster Growth With Fiscal Discipline*. University of Toronto Institute for Policy Analysis, Policy and Economic Analysis Program, Policy Study 94-6, October 1994.

policy in Canada, Ontario's housing market and consumer spending would likely be weaker than forecast.

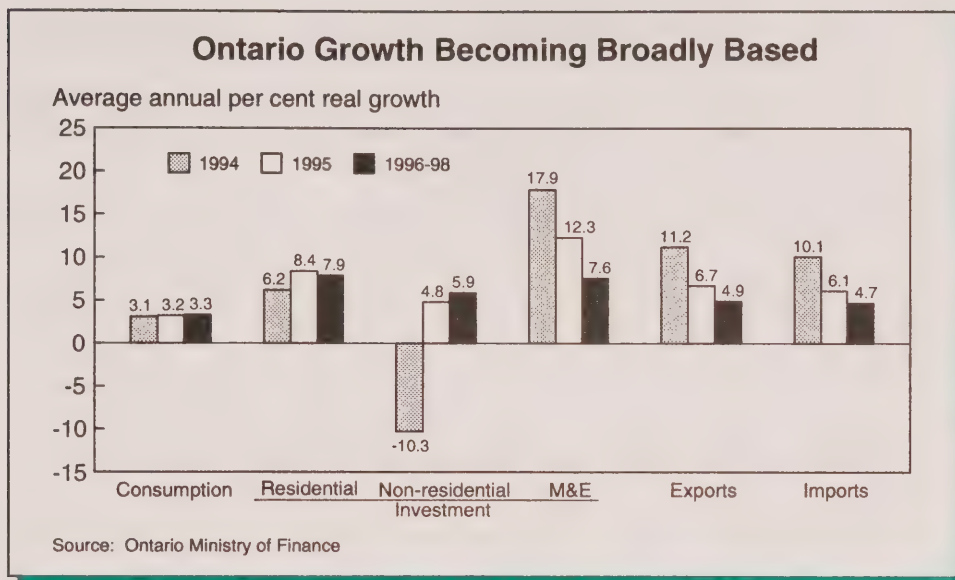
We expect the Canadian dollar, which averaged 73.4 cents U.S. in 1994, to strengthen against its American counterpart over the medium term. Canada's lower inflation relative to the U.S. and improving current account balance will push the dollar up from an average of about 74 cents U.S. in 1995 to the 76-to-80 cent U.S. range by 1998.

Sensitivity of Economy to U.S. Growth and Financial Markets

Economic conditions in Ontario depend to a large extent on external factors such as the pace of growth in the United States and the rest of Canada, interest rates, the exchange rate and federal fiscal policy. This economic forecast for Ontario is based on assumptions about these factors. For example, a sustained one percentage point increase in Canadian real interest rates would, other things being equal, reduce real output in Ontario by 0.4 per cent in the first year and by 0.7 per cent in the second year.

Sources of Economic Growth

Economic growth has accelerated and become more broadly based. Exports and business investment are continuing to grow rapidly and to contribute strongly to the expansion. However, stronger household spending, fuelled by healthy gains in employment and improving confidence, is the key to sustained, strong and balanced growth over the medium term.



Consumer spending revived in 1994. Healthy full-time job gains, improving confidence and pent-up demand are encouraging a resurgence in household spending. Real consumer spending is forecast to rise by 3.2 per cent next year, following a gain of 3.1 per cent in 1994. During the medium term, consumer spending will rise by an average 3.3 per cent annually, supported by rising employment, stronger wage growth and a gradual decline in the savings rate.

A stronger *housing* market was constrained by higher mortgage rates during 1994. However, growth in full-time employment will lead to a revival of housing demand over the next few years. Favourable demographics, pent-up demand, lower mortgage rates and firmer house prices will support the housing market expansion over the medium term. Higher social housing activity under **jobsOntario Homes** will also contribute to stronger residential construction. Housing starts are expected to rise to 54,000 units in 1995 from 48,000 in 1994. Over the 1996 to 1998 period, housing starts will average 74,000 units a year.

Business investment in new equipment will remain the fastest-growing component of the Ontario economy. Growing demand, higher profits and the ongoing drive to improve efficiency in an increasingly competitive global economy will stimulate continuing solid investment in business equipment. In 1994, businesses increased real spending on equipment in Ontario by

17.9 per cent. Equipment investment will rise by 12.3 per cent in 1995 and by 7.6 per cent per year over the 1996 to 1998 period.

Over-building from the late 1980s and the resulting high vacancy rates continued to plague *non-residential construction* in 1994, especially commercial real estate development. As strengthening demand gradually absorbs available space, non-residential investment will turn around in 1995, rising by 4.8 per cent. Over the medium term, this sector is forecast to expand by 5.9 per cent annually.

The Ontario economy is becoming increasingly trade-oriented, with both exports and imports growing faster than the economy as whole.

Ontario *exports* will continue to be a major source of growth, supported by ongoing but more moderate growth in U.S. demand, particularly for autos, a competitive value for the dollar, and an impressive improvement in Ontario's competitive position. Real exports expanded by 11.2 per cent in 1994 and are forecast to rise by 6.7 per cent in 1995 and by 4.9 per cent annually over the 1996 to 1998 period.

Strong investment in business equipment and rising household demand in Ontario are pulling in more *imports*. Real imports increased by 10.1 per cent in 1994 and will rise by 6.1 per cent in 1995 and by 4.7 per cent a year over the 1996 to 1998 period.

Ontario's trade balance will improve over the next few years, reflecting faster export growth. As a share of GDP, the nominal trade balance is forecast to rise from about 3 per cent in 1993 to almost 6 per cent in 1998.

II: Ontario's Fiscal Situation and Outlook

Overview

The recession of 1989-1992 was the longest and most severe for Ontario since the 1930s. It created the most difficult fiscal and economic climate that any Ontario Government has had to cope with since the Great Depression. The Ontario Government responded to this challenge by ensuring, first, that the most disadvantaged members of society would be protected, and second, by putting in place stringent cost controls in the public sector.

How Ontario's Fiscal Policy Has Evolved

The Budgets for the years from 1991 to 1994 set out policies that struck a balance between promoting economic growth, creating jobs, preserving important services and controlling the deficit.

The Ontario deficit increased sharply in 1991 as a result of the weakness of the economy. When the recession was at its worst, Ontario Budgets focussed on helping those hardest hit, preserving jobs and promoting economic recovery.

As the recovery set in, the Ontario Government has focussed increasingly on measures to reduce the deficit while creating jobs and maintaining services. The 1993 Budget incorporated decisive measures to put the deficit on a downward track. These included the *Expenditure Control Plan*, the *Social Contract*, and necessary revenue-raising measures. The Government has committed itself to a medium-term plan of reducing the deficit through expenditure controls rather than tax increases.

This fiscal plan is showing results. As the economy has gained momentum, the deficit has come down. This year, the deficit will decline even faster than projected in the 1994 Budget.

Unfair Federal Policies and Ontario's Deficit

Federal economic and fiscal policies contributed materially to the increase in Ontario's deficit. The Bank of Canada's tight monetary policy, which imposed high interest rates and an overvalued exchange rate, made the recession much worse than it would otherwise have been.¹ The recession that resulted compounded the difficult economic adjustment required by the Free Trade Agreement with the United States.

Revenues were hard hit during the recession. Tax revenues fell by \$3 billion from 1990-91 to 1991-92. Only this year will they have recovered to their pre-recession level. At the same time, the recession put additional pressures on government programs such as social assistance, health care, retraining and legal aid.

Throughout this difficult period, the federal government has continued with cuts that disproportionately affected Ontario taxpayers.

- Federal limits on the Canada Assistance Plan (CAP) cost Ontario \$6.6 billion between 1990-91 and 1994-95.
- Limits on transfers for health and post-secondary education (Established Programs Financing or EPF) and unfair treatment in federal spending for immigration and training further add to Ontario's fiscal burden.
- Changes to the Unemployment Insurance system have shifted more of the costs of supporting the social safety net from the federal level to provincially-funded social assistance programs.

These forces brought about the rise in the deficit and in the cost of servicing the growing provincial debt. Interest expenses on the debt began to consume a growing share of Ontario's revenues, eating into the resources available for public services.

¹ The Bank of Canada established a target range for lowering the inflation rate, and this dictated tighter monetary policy. In addition, it misjudged the tightness of monetary policy that would be needed to get to this lower inflation range, resulting in a considerably more severe recession. See T. Wilson, P. Dungan and S. Murphy, "The Sources of the Recession in Canada," *Canadian Business Economics*, Winter 1994.

Ontario's Fiscal Strategy

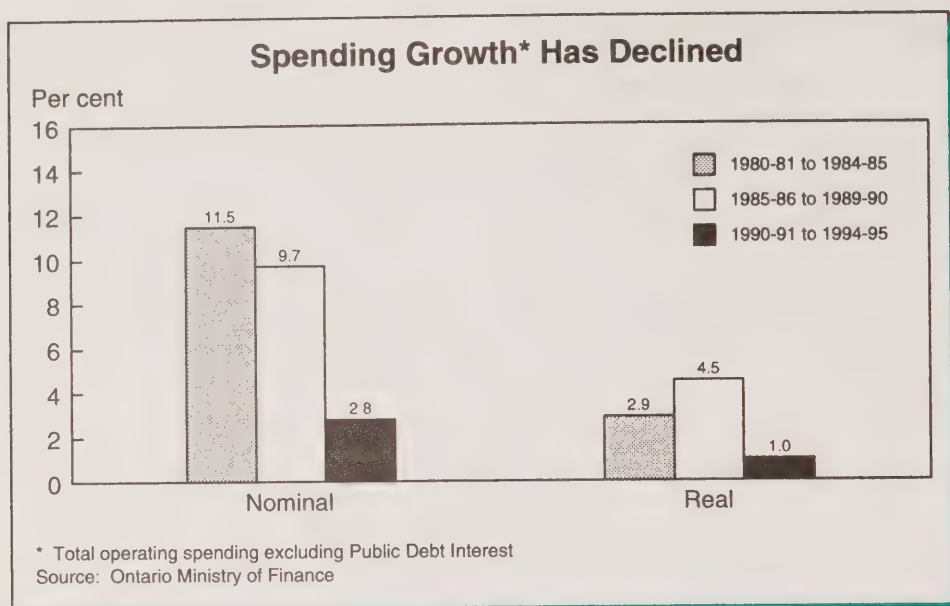
The Government responded to these unprecedented fiscal and economic challenges with a plan to put the deficit on a downward track while maintaining affordable services and investing in jobs.

Accomplishing this program has demanded vigilant fiscal management. To keep priority public services and make them affordable, the Government has restructured, eliminated inefficiencies and rooted out duplication.

Through its *Expenditure Control Plan* the Government has examined its spending closely, making programs more effective and services more efficient. When fully implemented by 1995-96 the Expenditure Control Plan will save Ontario taxpayers \$6 billion a year.

The *Social Contract* has reduced Ontario's public sector compensation bill by \$2 billion a year while preventing as many as 40,000 layoffs. The Social Contract, which covers the three fiscal years from 1993-94 to 1995-96, secured immediate savings. It also provides the time needed for the public sector to restructure and make these savings permanent.

Through these measures and others, spending has been brought under control. Program spending declined by 3.4 per cent in 1993-94 and will fall again in 1994-95. During the 1980s spending grew at a double-digit pace, well above the rate of inflation. Restricting the growth in spending is essential to restoring Ontario's fiscal health.



By rethinking and restructuring the way programs are delivered, The Government is maintaining necessary services to the public and making them more affordable. For example, through better management of the health care system, spending by the Ministry of Health — about one-third of total provincial spending — has been virtually held constant for the past three years.

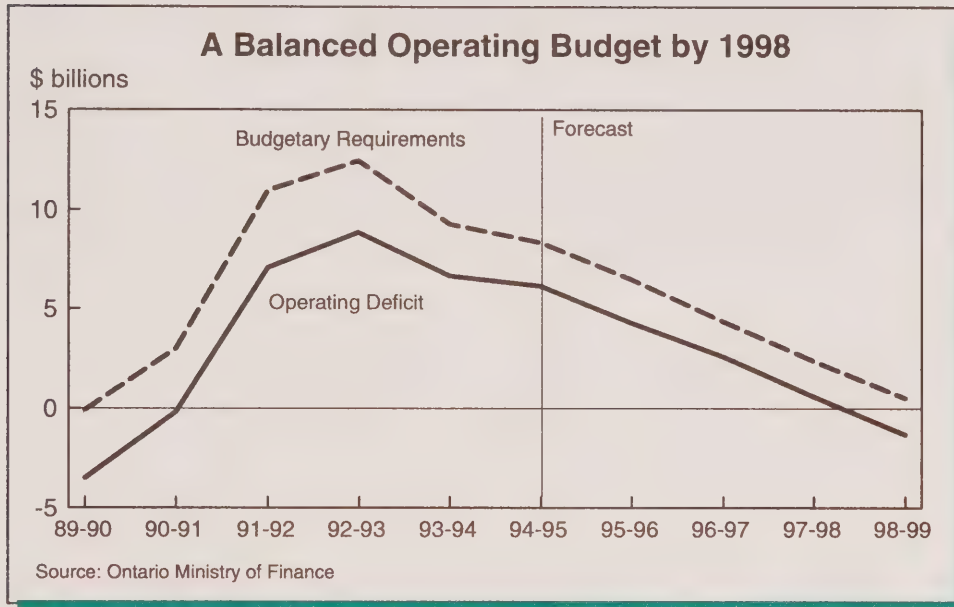
Growth in social assistance spending, which skyrocketed during the recession, is beginning to moderate. Caseloads are now declining as a result of both the strengthening economy and better management.

The Fiscal Outlook

The 1994 Budget set out Ontario's plan for keeping the deficit on a downward track and eliminating the operating deficit by 1998. Although strong economic growth will contribute to a falling deficit, tight management of spending is essential. Ontario will take advantage of the improving economic climate to ensure that we will be in a position to act effectively the next time economic conditions demand it.

ONTARIO'S FISCAL SITUATION AND OUTLOOK

As of the second quarter of the fiscal year, the deficit for 1994-95 is projected to be \$8.3 billion, \$206 million lower than forecast in the 1994 Budget. This results from stronger revenues generated by the quickening pace of the economic expansion. Spending has been held to the Budget plan.



III: A Strengthening Labour Market

Overview

Job growth in Ontario is on a rebound. 1994 saw the strongest and longest period of employment growth since 1988, with virtually all of the new jobs full-time. Employment growth occurred in most industries and benefitted all regions. The year also brought a large decline in the number of unemployed Ontarians. A large drop in layoffs and plant closures, a recovery in number of hours worked and a levelling-off of social assistance cases are further evidence of a strengthening job market in Ontario.

The labour market will improve further. Employment is expected to expand by 3.0 per cent in 1995 and by an average of 2.7 per cent a year over the 1996-98 period. This will add 570,000 new jobs to the Ontario economy and bring the unemployment rate down to 7.8 per cent by 1998.

Economic expansion and parallel improvements in the labour market are clearly visible. However, ongoing changes in the structure of our industries and services as well as lingering effects of the past recession continue to pose major labour market challenges.

Over the past several years, the Province has pursued a comprehensive job creation agenda to lessen the effects of the recession and to lead the way to recovery. The government will continue to support job creation, with particular attention to those groups of workers who are slow to benefit from the recovery. They include youth who need help making a smooth transition from school to employment. They also include unemployed and discouraged workers who require job placement and training to re-enter the workforce. The Province will place renewed emphasis on giving social assistance recipients the kind of support that leads to independence.

These challenges will be met within the context of continuing fiscal constraint and a world of work that is changing radically.

Recent Job Creation Performance

Best Job Performance Since 1988

After a weak start in January 1994, the Ontario economy created 137,000 net new jobs between February and the end of October. Ontario's job creation was among the fastest in Canada and represented 45 per cent of all net new jobs in the country. This was the largest gain in six years.

Virtually all of the net new jobs created in 1994 as a whole were full-time, an important indicator of a strengthening job market. This is in sharp contrast to 1993 when net new jobs were mostly part-time.

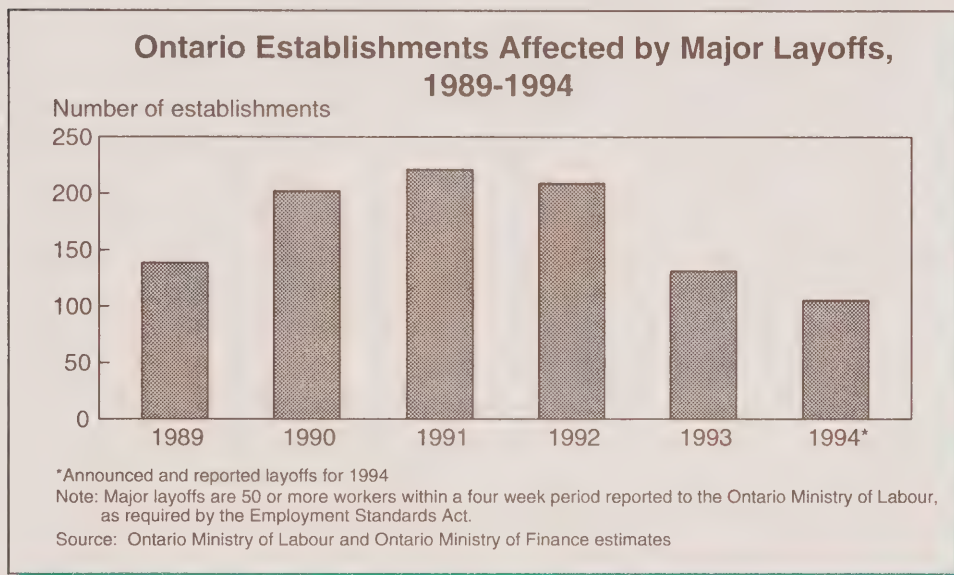
In 1994, net employment growth in Ontario was split almost evenly between men and women. Since the employment recovery began in May 1992, women have made up the job loss they sustained during the recession. Men — who suffered more job loss during the downturn — have regained more than 60 per cent of the jobs they lost. Currently, men account for 54 per cent of all employment while women's share is 46 per cent.

A Steady Decline in Unemployment

Both the level and rate of unemployment have fallen more than forecast in the 1994 Budget. Unemployment in Ontario declined from a peak of 603,000 in July 1993 to 488,000 by October 1994, a drop of 19 per cent. The number of newly unemployed workers declined even faster. The overall unemployment rate, which had peaked at 11.2 per cent in July 1993, fell to 9.0 per cent by October 1994.

1994 also signalled a dramatic decline in the number of permanent layoffs and plant closures that ravaged Ontario during the recession. By the end of 1994, both the number of establishments reporting major layoffs and the number of workers affected by them had declined by nearly 20 per cent from their levels a year earlier. Total business and consumer bankruptcies in Ontario have been on a declining trend and now stand 27 per cent below the peak reached in March 1992.

The 1990s recession also led to a reduction in average hours worked, reversing the steady increases associated with the economic expansion of the late 1980s. Since 1992, the average number of hours worked per week has been increasing slowly and, at 38 hours, is now approaching its pre-recession peak. While the increase in average hours worked is positive evidence of a stronger labour market, governments, business and labour are all examining measures that could provide a more equitable distribution of hours of work.



Despite the relatively low level of increases in 1994, earnings for the workforce as a whole increased faster than inflation. Average Weekly Earnings, one of the broadest measures of employment earnings, rose 2.6 per cent in the first eight months of 1994, supported by longer hours and strong full-time job creation. Inflation was only 0.2 per cent in the same period, partly influenced by the tobacco tax cut.

Major wage settlements covering establishments with 500 or more employees remained virtually flat (0.6 per cent in the first eight months of 1994), continuing the trend of low settlements observed in 1993 (1.4 per cent). Overall, only private sector workers — with an average increase of 1.0 per cent — saw wages rise in 1994. These record-low wage settlements reflected

prevailing economic conditions, as well as wage restraint initiatives by all levels of government.

Ontario Boosted the Recovery in Employment

During the past few years, Ontario has pursued a comprehensive strategy to generate as many jobs as possible, under tight fiscal circumstances.

This job strategy has had a number of elements:

- **Broad economic measures to maintain and create jobs.** Capital and infrastructure investments through **jobsOntario** in highways, schools, social housing and water and sewer facilities created employment during the downturn, while setting the stage for growth. The exemption of new hires from the Employer Health Tax generated further jobs. Many more public sector jobs were protected through the Social Contract.
- **Measures to assist particular groups.** Major new investments were made to help social assistance recipients and those facing long-term unemployment through **jobsOntario Training** and **jobLink Ontario**. Spending was stepped up under **jobsOntario Summer Employment** to give more young people a chance at a summer job.
- **Training and investment in skills.** At a time of constraint, Ontario substantially increased its spending on training and adjustment programs. These expenditures now total over \$1 billion. The Ontario Training and Adjustment Board was established and is working to make sure its programs are coordinated, appropriate to local needs and oriented to the future.
- **Sectoral adjustment, creating partnerships.** Many of the Province's directions reflect its commitment to partnership — from the way communities have been put in charge of delivering **jobsOntario Training** to the way the Province helped broker partnerships to save steel and forestry jobs in communities like Sault Ste. Marie and Kapuskasing.

Avoiding Layoffs in the Broader Public Sector

All levels of government are rethinking the way important public services are designed and delivered. The Province has introduced a variety of measures to increase workplace efficiency and to provide important services more affordably. The most far-reaching of these was the Social Contract in Ontario's broader public sector.

The Social Contract is a three-year initiative with both a short-term and a long-term goal. In the short-term, the Social Contract was designed to save the public purse \$2 billion a year, while maintaining services and minimizing the need for layoffs. In fact, up to 40,000 layoffs in the public sector were prevented because of the Social Contract.

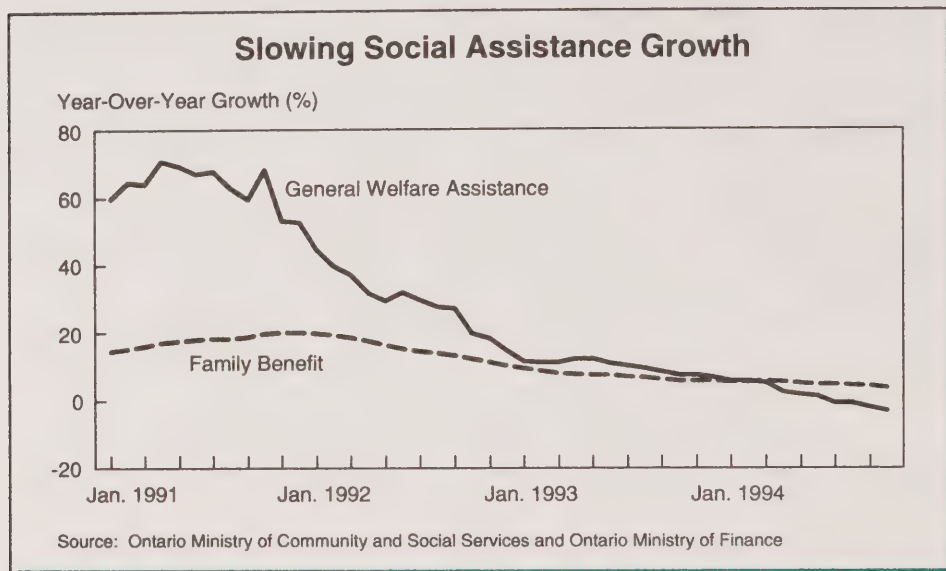
In the long-term, the Social Contract was intended to provide a 3-year window in which workplaces could restructure in a planned and managed way. Since the \$2 billion reduction will not be built back into public sector budgets when the *Social Contract Act* expires, the need to restructure is underscored. The goal is for public sector workplaces to substitute the temporary measures for dealing with the funding reduction (compensation freezes and unpaid days) with permanent measures, and to accomplish this with a minimal impact on jobs. The result will be a more efficient public sector that continues to deliver accessible, quality services.

Sectoral Councils are being established to help workers adjust where layoffs prove unavoidable. They also are working to broaden the skill base of employees. For example, the Health Sector Training and Adjustment Panel has set up approximately 250 joint workplace committees to date to prepare workers for changes in their jobs and to improve prospects for adjustment if they are displaced. The panel also has begun matching laid-off health workers to job vacancies.

Reducing Welfare Pressures

The worst economic downturn since the 1930s led to record growth in social assistance cases in Ontario. As well, federal changes to Unemployment Insurance shifted to the provinces

more of the responsibility for supporting those who lost their jobs during the recession.



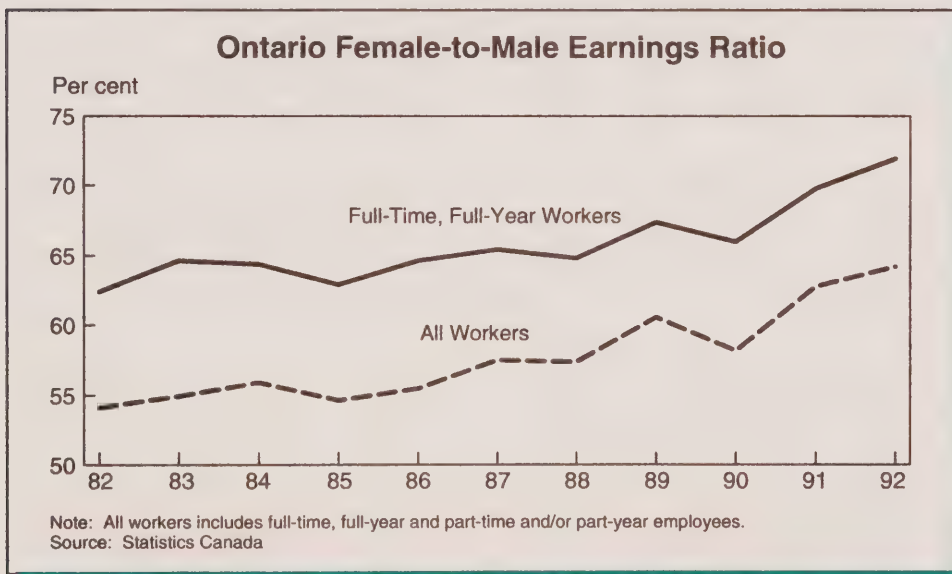
Solid and consistent employment growth in Ontario has helped ease the pressure. Active counselling and job training supports, as well as work incentives provided through the Supports To Employment Program (STEP), also are helping people return to work. The Province has taken a number of steps to manage social assistance caseloads better. These have resulted in social assistance savings of \$66 million to date and contributed to seven consecutive months of decline in the caseload. Between March and October 1994, the General Welfare Assistance caseload — the component most sensitive to labour market conditions — fell by 36,500. In October 1994, the Family Benefit caseload showed the first month-over-month decline since October 1986.

Earnings Gap Between Men and Women Narrowing

The earnings gap between men and women continues to narrow. In 1992, the latest year for which male/female earnings data are available, the female-to-male earnings ratio for earners who work full-time, full-year rose to 71.9 per cent, up from 69.8 per cent in 1991. The earnings gap for all workers — including those who work either part-time or part-year — also continued to close. The

significant narrowing of the wage gap in 1992 was influenced by the relatively stronger earnings and employment growth for women in Ontario. In 1992, annual earnings for women increased by 4.8 per cent compared to 1.6 per cent for men.

Over the longer term, the improvement in women's earnings relative to men's has in part been influenced by changes in the composition of women's employment. Over the last two decades, the distribution of women's jobs by occupation has shifted away from clerical in favour of better-paid managerial and professional work. More than one-third of women are now employed as managers and professionals compared to fewer than one-quarter in 1975. However, there is room for improvement. For example, despite better representation, women's earnings in managerial and professional occupations continue to lag men's significantly. Women also remain under-represented in the natural science, mathematics and engineering professions.



The Government has acted to ensure that more women receive fair wages for their work. In November 1992, the government broadened the scope of the *Pay Equity Act* to include 420,000 women who were not covered previously. This should reinforce the trend of a narrowing gap between the earnings of men and women.

Promoting Fairness and Equity in the Workplace

Ontario is a leading jurisdiction in promoting fairness and equity in the job market. Ontario's *Employment Equity Act* came into effect on September 1, 1994. It will help make job opportunities and promotions more accessible to four groups who traditionally have faced barriers to employment -- people with disabilities, racial minorities, aboriginal people and women. These groups will make up more than 60 per cent of the labour force by the end of the decade, up from 57 per cent in 1991. Ontario's statute will ensure that the diverse composition of our communities is reflected in the workplace and will promote full use of the abilities of all Ontarians.

The Job Outlook

Strong job creation performance will continue in the medium term. In 1995, employment is expected to grow by 3.0 per cent, producing 147,000 net new jobs. This will represent the highest pace of job creation since 1988. In 1995, provincial employment will reach record levels.

Over the 1996-98 period, employment will continue to expand by 2.7 per cent, or 141,000 net jobs a year. The annual unemployment rate will continue to decline, averaging 9.0 per cent in 1995. In 1998, it is forecast to average 7.8 per cent.

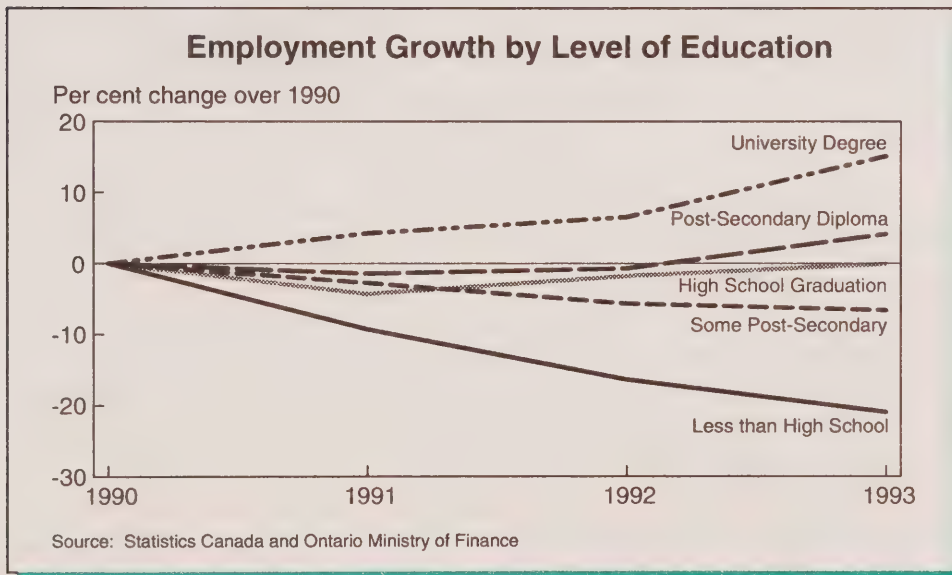
Ontario's labour force, after slow growth in 1994, will expand moderately in the next four years. In 1995, it will increase by 2.2 per cent, augmented by the return to the labour force of people who had stopped looking for work during the recession. Over the 1995-98 period as a whole, Ontario's labour force will increase by 2.3 per cent per year, faster than the annual average growth of 2.0 per cent in the 1980s.

Employment gains and an increase in the number of job searchers are factors expected to raise the rate at which people participate in the labour force. After several years of decline, the participation rate is expected to resume its gradual upward trend in 1995, reaching 67.7 per cent in 1998.

Good Growth in High Quality Jobs

Since 1990, nearly all new jobs have gone to workers with post-secondary education. Ontario's highly-skilled, well-educated workforce put the Province in a good position to take advantage of this type of job creation.

Most net new jobs have been created in industries and occupations where average weekly pay was above the average for all workers. For example, in the goods sector, new jobs have been concentrated in manufacturing and in general and special trades construction. Within the services sector, which has led job growth in the last two years, the majority of new jobs have been created in relatively high-paying, higher skill groups such as wholesale trade, services to business, and education and related services.

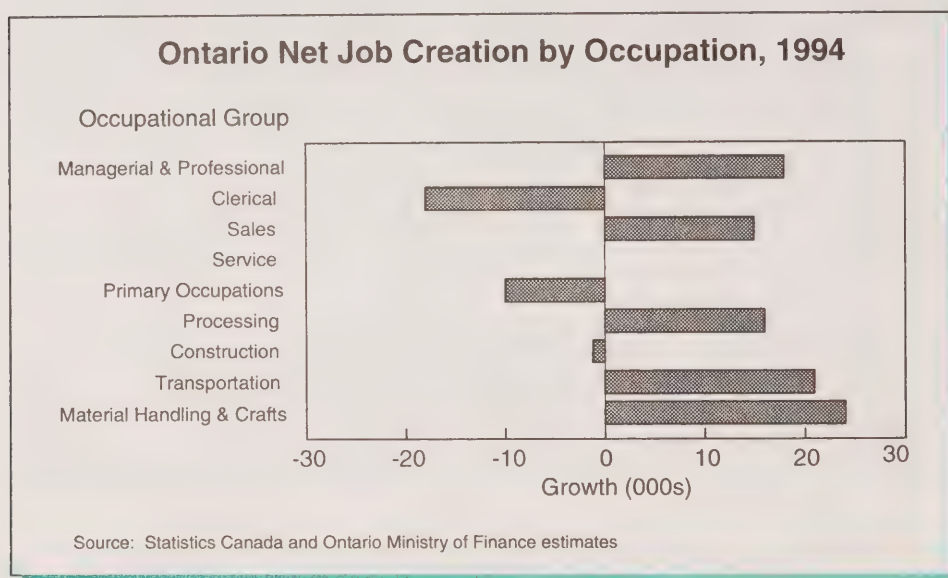


Recent Occupational Trends

Employment growth by occupation mirrored the broadly-based sectoral employment expansion currently under way in Ontario. Transportation, materials handling and crafts, sales, and processing occupations saw strong growth in 1994.

1994 ONTARIO ECONOMIC OUTLOOK

Likewise, managerial and professional occupations gained ground in 1994, following on strong and leading growth in 1993. This continued the pattern of the 1970s and 1980s when managerial and professional employment increased by over 150 per cent. In the same period, overall employment in Ontario increased by almost 60 per cent. Managerial and professional occupations currently account for 34 per cent of employment in Ontario.



1994 marked the fourth consecutive year of job loss in clerical occupations. While the job loss in 1994 was significantly smaller than in the previous three years, the continuing job loss in clerical occupations suggests that technological change continues to affect these workers. Clerical occupations comprise 15 per cent of employment.

Job losses in primary occupations such as farming, mining and forestry followed the downward trend of the last two decades. In fact, there are now fewer jobs in primary occupations than there were two decades ago.

There were no employment gains in construction and service occupations in 1994. Both occupational groups recorded employment gains in 1993. These occupations account respectively for 5 per cent and 13 per cent of total employment in Ontario.

Occupational Outlook

Over the medium-term, growth will be concentrated largely in occupations requiring a higher level of education or a specific skill set¹. The pace and breadth of technological change also will influence the demand for occupations and their job content.

Employment growth in managerial and administrative occupations is expected to outpace average growth in employment through 1998. Managerial, administrative and professional occupations will account for almost one-third of the new jobs forecast over the next four years, with the managerial category growing the fastest.

Sales and service occupations will benefit from the continued strength in trade and increasing demand for consumer services. Sales and service positions will make up more than a quarter of all new jobs. Skilled service jobs related to personal services as well as accommodation and food services will experience particularly strong growth. One in twenty new jobs will be in occupations providing technical support to professions in engineering, architecture and medicine.

The recovery in the construction sector is expected to revive occupations severely affected by the recession. Electricians, plumbers and carpenters will enjoy greater opportunities. Strong growth also will occur for related occupations in bricklaying, and tile and drywall installation. Altogether, about three in twenty new jobs will be in the skilled trades and in the operation of transportation and industrial equipment.

In manufacturing, employment growth in processing and machine operating occupations will be moderate as a result of investment in productivity-enhancing technologies. These occupations will account for fewer than one in ten new jobs. Employment growth in primary occupations is expected to be slower than average.

Clerical jobs will also grow, but at a slower than average pace. As voice-mail, scanning, voice-recognition and CD-ROM become

¹ Based on the Canadian Occupational Projection System (COPS) forecast for Ontario. The COPS outlook is determined by expected industrial growth and fixed occupational employment distributions within industries.

more widespread, employers increasingly will look to their clerical staff as a source of technical know-how. However, productivity gains that result will mean work can be done with fewer clerical staff.

As discussed earlier, the better prospects for more highly-skilled workers confirms how vital it is to invest in education and skills upgrading so that all Ontarians have the opportunity to equip themselves for the new economy.

Building on Past Successes to Address Continuing Labour Market Challenges

The strong job growth in Ontario over the past year shows that the government's job strategy is having results. But more needs to be done.

Government must continue to create an environment conducive to job creation and to improve further the flexibility of Ontario's labour market and social programs to reflect the demands of today's economy. There also must be a sharper focus within training and adjustment programs on helping groups who will be slow to benefit from the economic recovery.

More broadly, globalization and ensuing restructuring is dramatically influencing the mix of workers' skills, available jobs and the organization of work. Ontario must address structural change now if we are to create job opportunities oriented to the future. Training and adjustment programs are key to helping Ontario workers and companies respond to structural changes in the economy.

Ontario is not alone in needing to respond in this environment. There are an estimated 35 million unemployed and a further 15 million underemployed people in OECD countries. Adjusting to change and creating secure, well-paying jobs is a challenge faced by all countries.

In March 1994, leaders from the G-7 countries met in Detroit at a Jobs Summit to discuss ways to tackle unemployment and create jobs. Like the 1993 European Commission (Delors) Report and the OECD's 1994 Jobs Policy Report, the Jobs Summit concluded

that today's widespread problem of unemployment reflects the slowness of economies to respond to change.

They concluded that there is no single solution to job creation. A wide range of policies can be used to make labour markets more responsive. These include macroeconomic policies that recognize the importance of growth as well as price stability; investments in skills; a regulatory environment that supports job creation; and social security programs that encourage re-employment as well as providing income support.

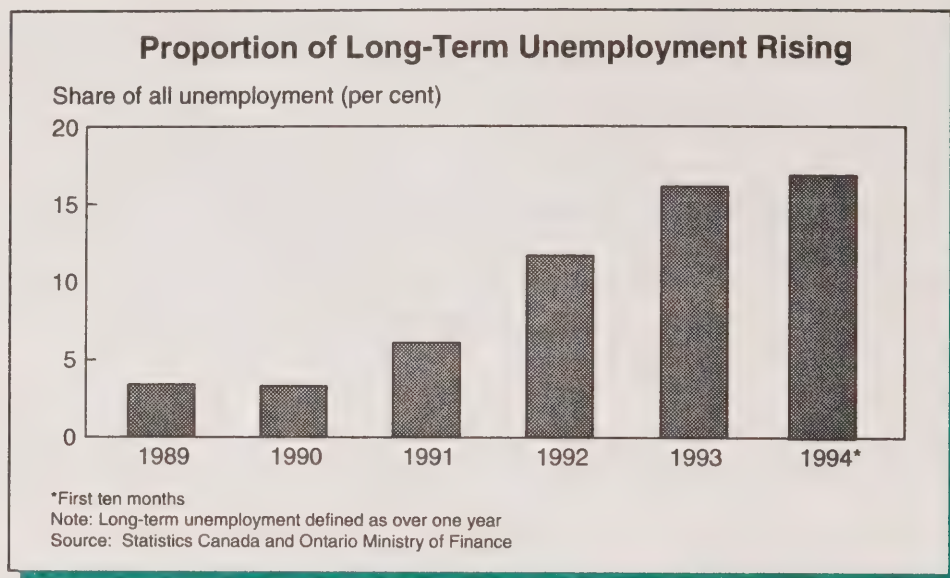
A Sharpened Focus on Groups Slow to Benefit from Recovery

The 1990s recession left hundreds of thousands of Ontarians wanting to work but unable to find a steady job. For many, — including the long-term unemployed, social assistance recipients, youth, older workers as well as some aboriginal people and persons with disabilities — the benefits of economic recovery arrive after a lengthy delay.

Labour market policy should focus on giving all Ontarians a chance to benefit from the economic expansion now underway. Working to create jobs for everyone is not only an equity issue. Unless there are increased job opportunities for everyone in society, we will all pay — through lower tax revenues and higher welfare costs.

The number of long-term unemployed — workers who have been out of work for longer than a year — increased considerably during the recent recession. Long-term unemployment as a share of total unemployment rose to 16.8 per cent in 1994 from 3.4 per cent in 1989. Many long-term unemployed workers are men displaced from blue collar occupations. About one-quarter of them are older workers, a group which faces additional barriers related to lower average educational levels.

Generally, workers who have been out of work the shortest time are the first to benefit in a job recovery. By contrast, long-term unemployed workers may face extra barriers. This is borne out by the fact that the number of long-term unemployed showed no measurable change in the first ten months of 1994 despite the overall decrease in unemployment.



Workers who have been unemployed a long time face special barriers. Lost earnings force many to rely on public assistance, families or friends for income support. Long absences from the workforce also cause loss of skills at a time when an increasing proportion of jobs requires higher levels of skills or education.

To make sure that social assistance recipients and workers unemployed for long periods get jobs and training, Ontario has extended the **jobsOntario Training** program for another year. This innovative program already has created more than 65,000 job opportunities, including many for social assistance recipients. Many employers report that without this program they would not have made the decision to hire. Wages average \$20,500 a year and over one-third of the jobs have been in manufacturing industries where job-specific training is particularly important.

All **jobsOntario Training** placements hold the possibility of ongoing employment. A survey showed that about 80 per cent of the new employees are still in their jobs several months after the one-year training subsidy to employers finished. This is very promising, comparing well with rates of job turnover in the overall economy.

Affordable child care also supports access to jobs and training for low income parents, particularly women. The number of

subsidized child care spaces has increased by 47 per cent since 1990, bringing the total to more than 65,000 spaces this year.

Other programs have helped position the economy and its workers for recovery. For example, a program to help laid-off apprentices complete their training not only let these workers achieve their goals but provided the economy with qualified tradespeople. As well, the federal government took up Ontario's offer to work jointly to provide important infrastructure and jobs, through the Canada Ontario Infrastructure Works (COIW) program.

Strategic investments in infrastructure will remain a priority over the next few years both to boost employment in the construction sector and to prepare for the demands of our growing economy.

Youth Pose A Special Challenge

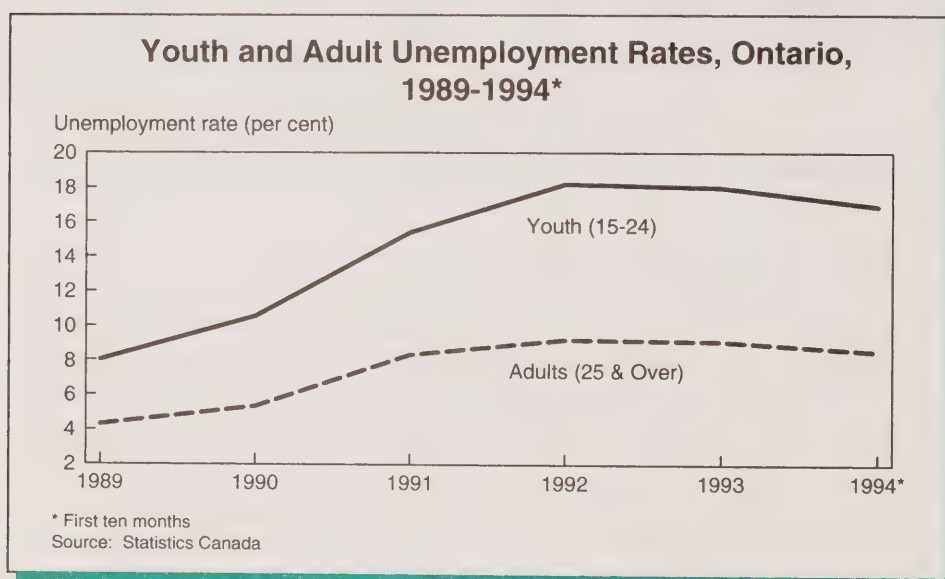
While both the level and rate of youth unemployment improved in 1994, many of Ontario's young people continued to experience difficulty finding and keeping jobs. This has resulted in youth unemployment rates that remain unacceptably high. In the first ten months of 1994, the unemployment rate for youth was 16.9 per cent, down from 17.9 per cent in the same period in 1993. In this period, workers over 25 years of age accounted for all net new jobs.

The failure to find jobs in recent years has produced a pool of discouraged young workers who have withdrawn from the labour force. A bad start in a young person's working life as well as the social exclusion that it entails may have a long-term negative effect.

Youth are at a particular disadvantage in the labour market because of their lack of experience. Currently, the Province funds extensive summer and year-round programs to help young people gain experience through temporary job placements, training and counselling. *FUTURES*, *jobsOntario Summer Employment* and other programs reached nearly 90,000 young people in 1994.

Supporting the school-to-work transition is an important way to reduce youth unemployment in the future. Those countries, like

Germany, that have transition systems in place have managed to avoid the large differences between unemployment rates for the general population and youth. Moving in this direction, Ontario has sponsored a project called Education-Work Connections which helps schools and communities offer students first-hand experience of the workplace. The Province operates a number of other programs that help youth make the transition to work, such as FUTURES and the Secondary School Workplace Apprenticeship Program (SWAP).



An Effective and Compassionate Social Security System

Our social security system is a hallmark of Canadian society and a crucial component of Ontarians' ability to adjust to economic change. However, the existing social security system needs to reflect better current economic, fiscal and social realities, and needs to accommodate continuing changes in the way we work and where we work. Our social security system needs to be made relevant to today but its basic tenets must not be dismantled. It must reinforce, not undermine, Canada's record as a compassionate society.

The reforms should focus on work, training and the needs of children. A number of reports — including Ontario's *Turning Point* and the OECD's 1994 report on unemployment — point to

the need to address child poverty and to have training and other supports that provide a springboard to work. Ontarians need training and retraining to improve the earning capacity of low wage workers and those making the transition from dependence to self-sufficiency.

The recent federal proposals for social security reform have sparked a major debate among Canadians on how to restructure the existing system. This debate must focus on the very real need for improvements in effectiveness and flexibility rather than becoming a narrow exercise in cost cutting. Reforms must strengthen, not undermine, our capacity to adapt successfully to economic change. As well, the reforms must not increase fiscal off-loading to the provinces and they must be the product of genuine joint federal/provincial decision-making.

More active labour market systems will work best in a context of job creation and healthy economic growth. The national strategy that emerges from this debate cannot ignore the need for fiscal and monetary policies that will reduce our unacceptably high levels of unemployment. Job growth must be the number one priority.

A New Vision for the Welfare System

In 1993, Ontario took the lead in developing a new vision for the welfare system, one that shifts the emphasis from passive income support to an active set of programs whose goals are employment and independence. Ontario's plan, *Turning Point*, showed clearly that profound changes are needed. Reforms to the welfare system should help people move quickly back to work and address child poverty. Ontario's innovative approaches to the fundamental restructuring of welfare must be reflected and supported in the federal government's social security review.

This year, the Province moved to implement a major element of *Turning Point*. **jobLink** Ontario is a program that provides social assistance recipients with access to training and other practical labour market supports such as back-to-work plans, information on employment opportunities and job-search advice. It builds on the success of **jobsOntario Training**, where people who relied on social assistance make up nearly one-half of those placed in jobs.

Turning Point also outlined the plan for a major new benefit, the Ontario Child Income Program (OCIP). OCIP would effectively remove children from the welfare system and also extend benefits to all low-income families, including working families. OCIP would help address both children's needs and provide a positive incentive to enhance labour market participation. Ontario has shared details of its design and policy work on OCIP with the federal government and has expressed willingness to work with them to implement such a program.

Responding to Growth in Non-Standard Work

Both the recent recession and on-going structural change have contributed to gradual but steady growth in non-standard forms of employment. At the same time, new technologies are opening the way to further innovations in work organization, reinforcing the growth of non-standard jobs. These include part-time, temporary or casual, contract, and self-employment. In many cases, these forms of employment are characterized by weaker job security, fewer benefits and lower earnings.

The share of part-time employment in Ontario increased from 12 per cent in 1975 to 17.5 per cent in 1994. Fully one-third of part-time work is taken involuntarily. In 1994, involuntary part-time employment edged up by 1.6 per cent.

Women account for over two-thirds of part-time workers. Many accept part-time employment as a way to balance work with family responsibilities. This reflects the fact that, regardless of their employment status, women continue to bear most of the responsibility for work in the home. However, many other women work part-time because they cannot find full-time work or afford the necessary child care. In 1994, one-third of women who worked part-time did so because it was the only kind of job they could find. The high proportion of people, particularly women, involuntarily taking part-time work poses a policy challenge.

Other kinds of non-standard employment have grown less dramatically. The proportion of self-employed, excluding those who have others working for them, increased from 7.4 per cent in 1975 to 10.1 per cent in 1994.

Statistics also show a growing split in the hours that employees work. Some work very long hours while others work only very limited hours. Between 1982 and 1993, the number of Ontario employees who worked less than 30 hours per week (the part-time threshold) increased by 28 per cent while those working 50 hours and more grew by 52 per cent. In the same period, overall employment increased by 18 per cent. While polarization of employment by hours worked is more pronounced in some sectors than in others, it has occurred in virtually all industries and occupational groups and has affected both men and women. Managerial occupations have shown the most pronounced trend towards very long hours.

Business, labour and governments around the world have been looking at the impact of these changes in patterns of employment and the distribution of working time. In the late 1980s, Ontario sponsored a Task Force to look into hours of work and overtime. The federal government established a special review on working time in 1994. Changes also are apparent in the ways jobs are designed and organized. The Ontario Premier's Council on the Organization of Work recently examined innovations and change strategies that make workplaces more productive and better places for people.

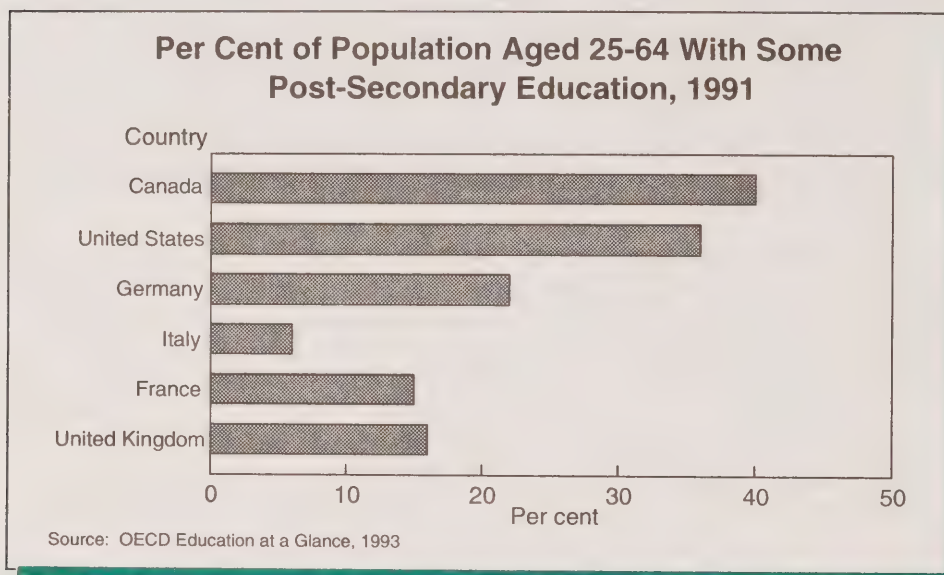
Non-standard work challenges many government and private sector programs and supports that were designed for more conventional forms of work. Policies must help firms and workers adapt to changing work patterns and family responsibilities. Policies also must address a more equitable distribution of work hours.

Preparing Our Workforce for Tomorrow's Jobs

The concentration of new jobs among better-educated workers illustrates the continuing importance of investing in education and skills. Our workforce must be prepared to compete for tomorrow's jobs, jobs that are increasingly higher-quality.

In Canada, 40 per cent of the population aged 25 to 64 has at least some post-secondary education. This is higher than any other OECD country. Ontario's post-secondary education levels are higher, at 45 per cent. This has meant that Ontario has been able to attract knowledge-intensive industries and occupations

that have the most promising futures. Changes to the funding of post-secondary education proposed by the federal government could have far-reaching consequences for our ability to continue to do that. Access to and quality in our post-secondary institutions must not be undermined.



It is also essential to build a strong base of foundation skills in our workforce. Some international studies consider Canada to be only a middle-performing country in outcomes from education. The Province has been taking a number of steps to improve accountability. For example, Ontario is developing a common curriculum and new standards for schools. Ontario introduced universal Grade 9 testing of reading and writing skills and established the Ontario Parent Council to give parents a direct say in education. The Province also established a Royal Commission on Learning which will table shortly its report on directions for Ontario's education system.

Programs are also available to those adults whose basic skills do not meet the needs of today's economy. Through Ontario Community Literacy, Ontario Basic Skills in the Workplace and other programs, the Province and the Ontario Training and Adjustment Board are working with labour, communities and business to give adults the chance to upgrade their literacy and numeracy skills.

Today, workplace flexibility is more important than ever. Most workers will make several job or even career changes over their lifetime. Firms are competing in a fast-paced, increasingly global marketplace where effective human resource development can make a difference to success.

On-the-job training is key to helping workers make their skills current. A 1991 survey showed about one-third of private sector employees in Canada received some employer-sponsored training that year — on average about two days. The Province is working with business and labour to support private sector training investments through programs like Sectoral Training Agreements, Training Trust Funds and Ontario Skills. **jobsOntario Training** also is playing a major role. More than 20,000 employers developed formal training plans to qualify for training credits under this program.

Giving Local Communities More Say

The Province set up the Ontario Training and Adjustment Board (OTAB) in 1993 to move decision-making on the design and delivery of programs into the hands of workers, employers and community groups. Through OTAB, representatives of these groups are now jointly managing programs with funding of about \$450 million annually.

OTAB has set up councils to review how services are being provided in five key areas. These councils will report to the Board with suggestions for improvement.

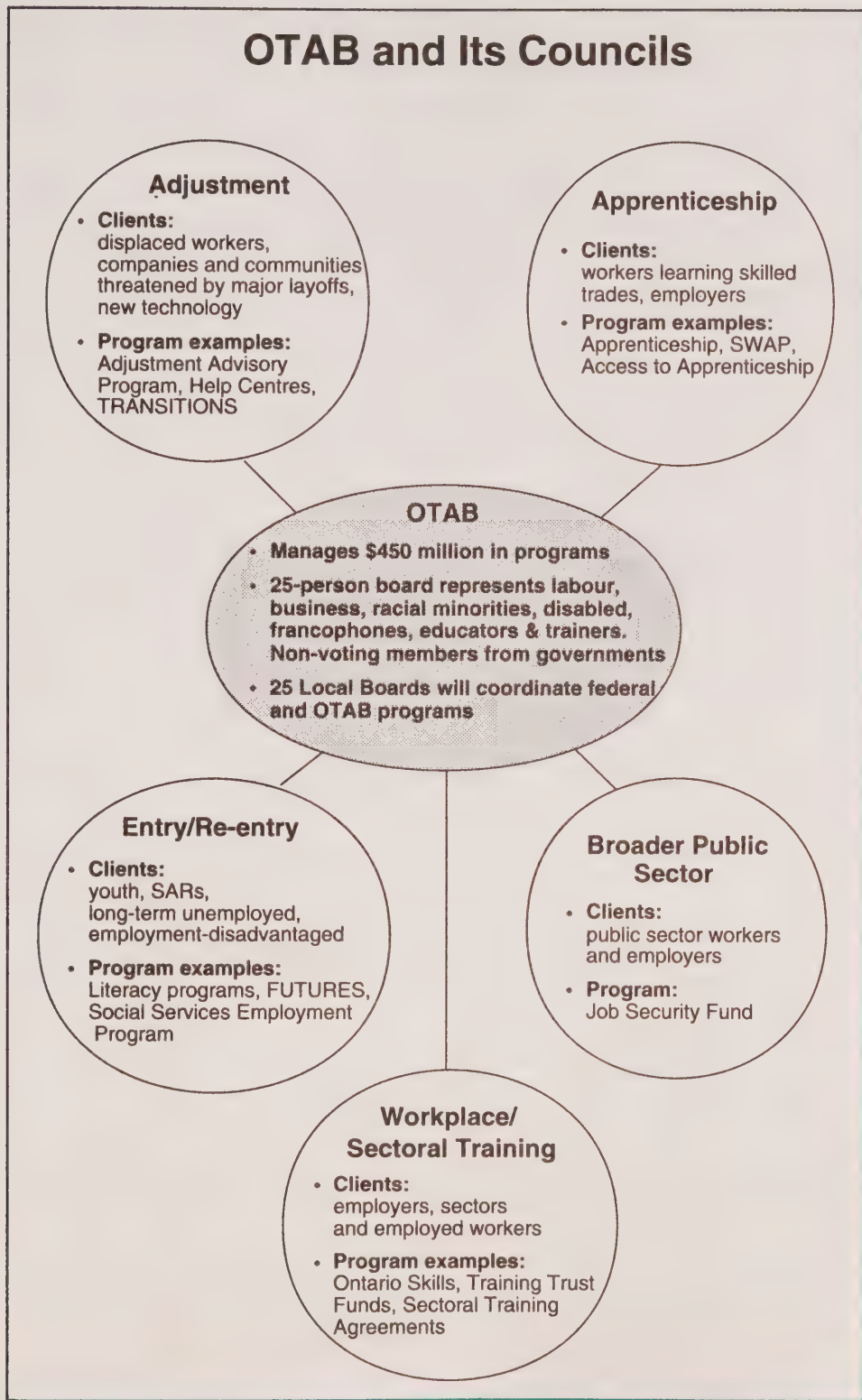
OTAB and the Province also are working with the federal government and the Canadian Labour Force Development Board to establish a network of Local Boards by next summer. These boards will improve OTAB's capacity to plan and deliver labour market services at the local level, and will ensure better coordination of the array of programs offered in each community.

One of the most important functions of OTAB and its Local Boards will be to improve the efficiency of labour exchange. Better sharing of information by labour market partners will be part of this effort. For example, workers and trainers need to know what skills local employers want; unemployed workers need clearer information about supports and services; and firms

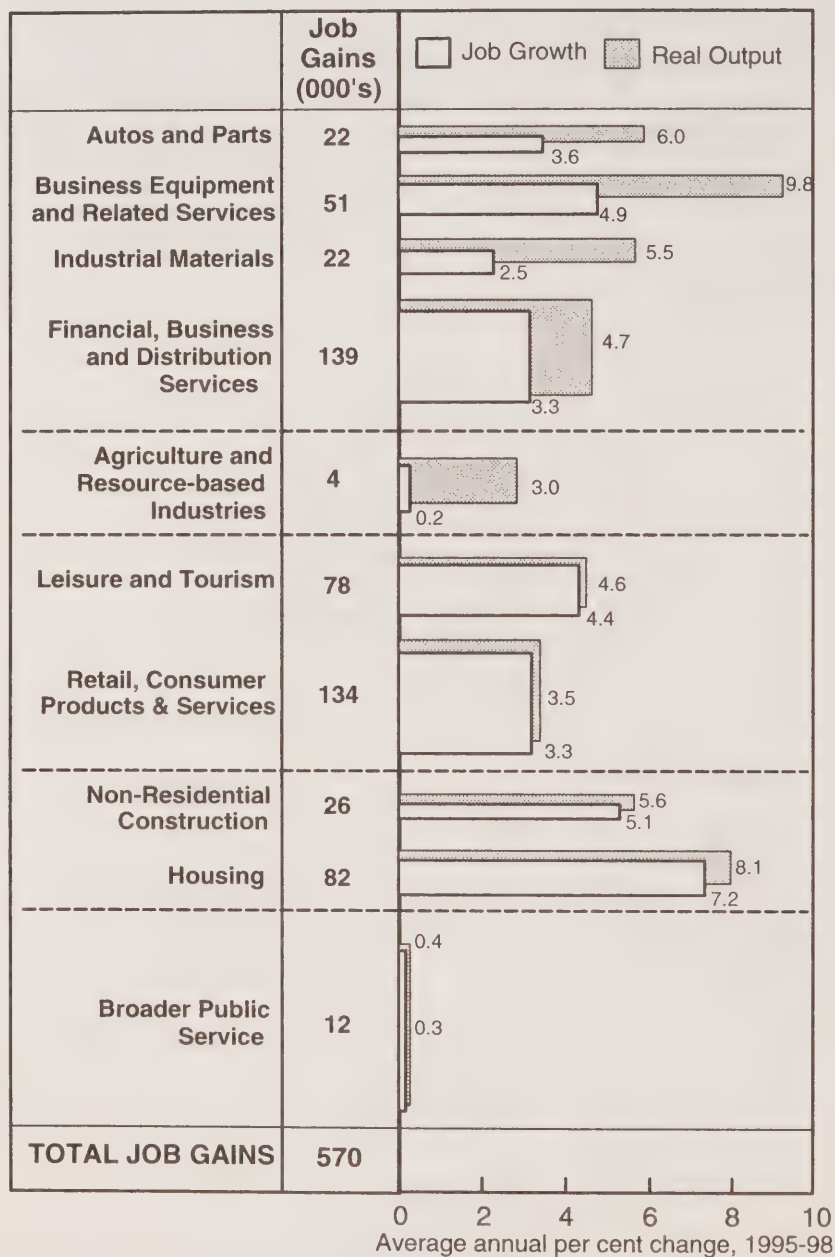
want to be able to count on finding job applicants with the right mix of skills. Good labour exchange will be key to how well Ontario responds to structural changes in our economy.

Jobs are being created in Ontario at a rapid pace, most with good pay and prospects. Ontario will need to continue to take strategic actions to maintain this momentum. Partnerships with the Province's sectors and communities will play a key role not only in the area of training but also in other aspects of industrial development.

OTAB and Its Councils



Sectoral Output and Job Growth 1995-1998



Note: Height of bars is proportional to sector's share in economy. For example, the above bar for autos and parts is very narrow because this sector constitutes only 3 per cent of jobs in the economy. The area of this bar represents a job gain of 22,000 over the four years from a base of 142,000 in 1994 (an average annual increase of 3.6 per cent).

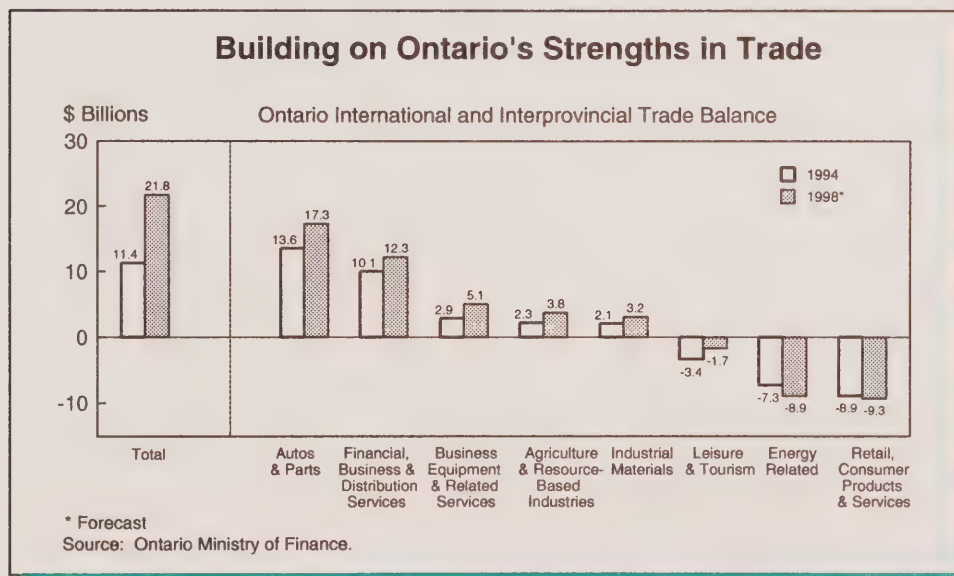
Source: Ontario Ministry of Finance forecast

IV: Sectoral Outlook

Overview

Virtually every sector of the Ontario economy is now participating in the current economic expansion following the intense cyclical and structural changes over the past five years. The chart on the adjacent page presents the medium-term outlook for output and jobs for each sector.

The expansion is being led by export industries. Ontario's international and interprovincial exports, which equal three-fifths of the Province's gross domestic product, are rising sharply. Ontario exporters are well positioned for higher sales as the world economy recovers and grows. The Canadian dollar has fallen, unit labour costs are competitive, and manufacturing productivity is up an impressive 19 per cent in the past three years.



The Ontario auto sector, our largest source of exports, continues to gain market share in a growing U.S. market. Ontario also enjoys a trade surplus in business equipment and related services such as computer software design and consulting engineering. This trade surplus will expand because Ontario firms, which account for three-fifths of Canadian output in this sector, are successfully competing for business in the rest of Canada, in the

U.S., and increasingly, in the rapidly growing economies of Asia and Latin America. Industries in the resource-based and industrial materials sectors are also exporting more and experiencing impressive profit rebounds due to the North American cyclical recovery. Many industries in the consumer products manufacturing sector such as furniture and clothing are now much more competitive, and have doubled exports in the past five years.

Consumer spending, fuelled by job creation and rising confidence, is broadening Ontario's economic expansion and helping restore housing, retailing, leisure and tourism as major sources of economic growth and job creation.

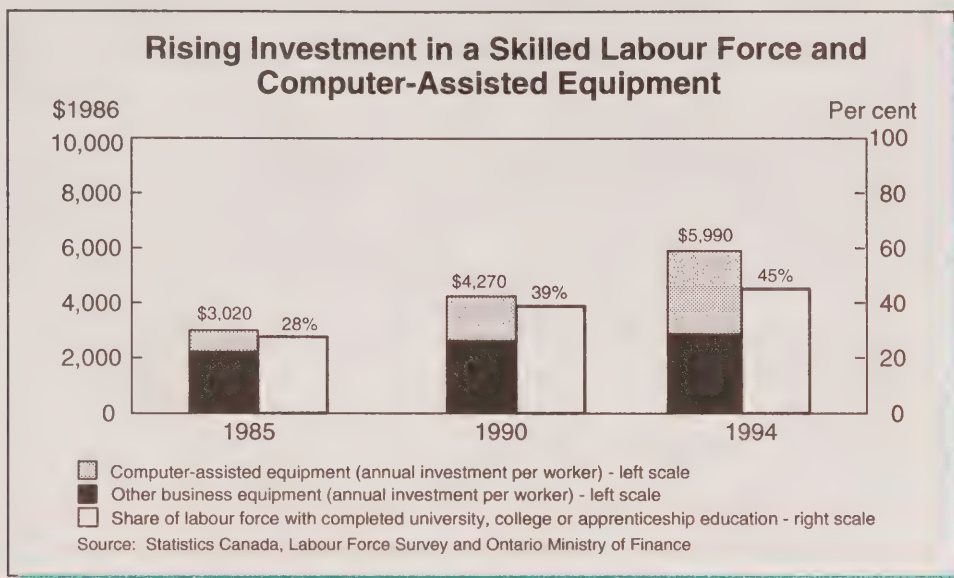
The recovery in export-, and now, consumer-oriented industries across Canada is directly benefitting financial, business and distribution services in Ontario. Due to the concentration of corporate head offices and financial, wholesale, media, accounting and legal services in Ontario, the province's exports of specialized services to other provinces and internationally will rise from \$24 billion in 1994 to \$29 billion by 1998.

Investing for Recovery and Growth

All firms and industries have had to confront formidable short-term adjustment pressures. Many have responded by investing in new technologies and processes to improve productivity and competitiveness.

Investment per worker in business equipment has doubled since 1985 while the computer-related component of this investment has quadrupled. Equipment investment among Ontario manufacturers recovered particularly well, rising to an estimated 55 per cent of the Canadian total in 1994. The favourable profit outlook — up 50 per cent in 1994 — will sustain further strong growth in real business investment.

Accompanying this improvement in physical capital, the quality of Ontario's human capital has also risen. The proportion of the labour force with completed university, college or apprenticeship education has risen from 28 per cent in 1985 to 45 per cent in 1994.



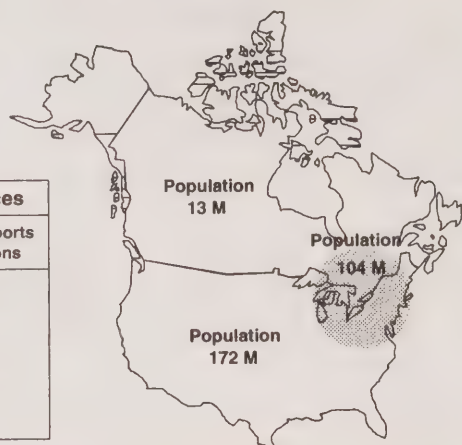
These productivity-enhancing investments are now helping Ontario's producers to build a strong competitive advantage in markets both at home and abroad.

Historically, the Ontario economy has been the source of many of the manufactured goods and advanced services used by the rest of Canada. This traditional trading relationship remains important — in per capita terms, Canadians in other provinces still buy nine times more from Ontario than Americans do. At the same time, Ontario's location at the heart of the North American continent provides a geographic advantage in exporting to the huge U.S. market. Within one day's driving distance from Toronto is a market of over 100 million people and one of the world's highest concentrations of industrial activities. Ontario's firms have taken advantage of this opportunity by more than doubling exports of goods and services to the U.S. over the past ten years.

Ontario's Key Export Markets

- More people live within one day's drive of Toronto than within one day's drive of any other major North American city.

Ontario Exports of Goods and Services		
	1983-93 % Growth	1993 Exports \$ Billions
To Great Lakes "Circle"	107	84.9
To Rest of Canada	72	38.8
To Rest of U.S.	137	37.0
To Rest of the World	104	11.5



Source: Statistics Canada, U.S. Department of Commerce, Ontario Ministry of Finance and Ontario Ministry of Economic Development and Trade

With increasing globalization, rising demands from newly industrialized countries and trade liberalization, Ontario firms are also looking beyond North America for trade opportunities. Our exports to the rest of the world have more than doubled over the last decade. Recent trade initiatives point toward even greater growth over the next decade.

Just as firms and industrial sectors have changed their business strategies and production methods, the Ontario Government has also changed the kind of support it provides and the way that it works with communities, firms and sectors. The Ontario Government's strategy is articulated in its Industrial Policy Framework.

A principal objective underlying the framework is the development of higher value-added activities throughout the economy. It aims at building the capabilities of communities, sectors and firms and at supporting winning activities.

The Government's role is to help develop these capabilities. For example, just-in-time exporters need governments to make strategic investments in physical infrastructure such as highways. Innovative growth firms need skilled workers, financial capital, and a sophisticated technology infrastructure. International construction project consortia need government sales and financing assistance to help sell to clients abroad.

The Government's industrial strategy involves several initiatives to support economic development of communities, sectors and firms.

- Industry and labour from more than twenty sectors are now working in partnership with the government to develop sector strategies. The box below highlights some of these strategies and the specific initiatives being pursued.

Examples of Sector Partnership Initiatives

The **Auto Parts Sector Strategy** is moving forward with a joint industry-government venture to increase awareness in Europe and Japan of Ontario and Canadian capabilities in the area of auto parts production. It aims to expand our \$1.35 billion worth of auto parts exports to these markets.

Under the **Food Processing Strategy**, a Food Technology Centre has been set up at the University of Guelph. It is managed by industry and labour, and includes facilities for food products R&D and pilot production runs.

As part of the **Green Industry Strategy**, the Ontario Centre for Environmental Technology Advancement (OCETA) is supporting the development, commercialization and marketing of environmental technologies. It will also provide other advisory services to small and medium-sized companies in the industry.

The **Health Industry Strategy** has led to the establishment of Interhealth, a private-public venture designed to tap the booming global market in health care. Interhealth will provide consortia management services to Canadian consultants, service firms, health experts and not-for-profit agencies wishing to bid on international projects.

The **Tourism Sector Strategy** includes an Ontario Tourism Highway Signs Pilot Project to test the effectiveness of new signs in directing visitors to businesses, services and attractions.

A key part of the **Grape and Wine Industry Competitiveness Strategy** is the Ontario Winery Adjustment Program. Its purpose is to improve product quality and consumer acceptance of Ontario wines. This is helping the sector to better compete with imports.

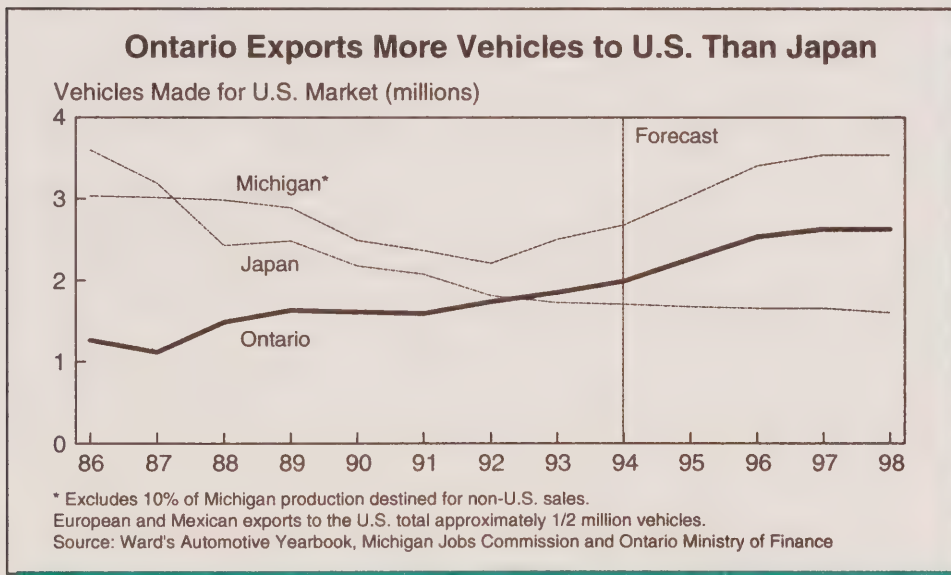
- Investment in strategic infrastructure projects such as the construction of Highway 407 will not only translate into productivity growth by eliminating time- and money-wasting highway bottlenecks, and lowering firms' trucking costs but will also free up additional development land.
- Ontario has one of the most competitive corporate and payroll tax regimes in North America. Recognizing the special needs of small businesses, the Government reduced the small business corporate income tax rate from 10 to 9.5 per cent.
- The Government has strengthened Ontario's technological infrastructure through Innovation Ontario, Centers of Excellence, and the refundable Innovation Tax Credit.
- The Ontario Innovation and Productivity Service is helping small to medium-sized innovative growth firms access the technical, marketing and management expertise needed for successful rapid expansion.
- Financing of small businesses and access to capital are critical factors if firms are to grow. The Government has amended the Loans and Trust Act, the Co-operative Corporations Act, and the Credit Unions and Caisses Populaires Act to remove regulatory barriers that discouraged commercial lending to small businesses.
- The Government is also addressing the unique financing needs of innovative growth firms by increasing the availability of venture capital through programs such as the Ontario Lead Investment Fund — a \$200 million pool for investment over 10 years — and labour-sponsored investment funds which have raised over \$300 million to date.
- New approaches and partnerships have recently been announced to bolster trade and investment. The Ontario Investment Service will provide potential investors with a one-stop, comprehensive source of critical investment decision-making information on Ontario. The Ontario International Trade Corporation consolidates government trade promotion activities under a private sector Board of Directors to maximize expertise and the effectiveness of our export promotion activities.

Sector Highlights

Autos and Parts¹

Ontario is the second largest auto producer in North America, after Michigan, and now exports more vehicles to the U.S. than Japan. Our trade surplus with the U.S. and other provinces has grown to \$13.6 billion in 1994. It reflects a favourable location, a competitive cost structure, a skilled labour force, and a product mix oriented to popular minivans, pickup trucks and family cars.

Major investments in new plants made in the 1980s by offshore and Big Three producers have helped the sector grow. Auto assemblers continue to invest heavily in Ontario — some \$4 billion in new and upgraded plants over the past five years.



Recently announced investments include:

- A \$20 million expansion of Honda's Alliston assembly plant, boosting production by 20,000 vehicles a year.

¹ The auto sector includes motor vehicle assembly and parts manufacturers, as well as tires and other rubber products.

- A \$400 million addition to Ford's pickup truck plant in Oakville to make paint operations more competitive and environmentally friendly.
- A \$600 million expansion of Toyota's Cambridge assembly facility. The additional production will replace all Corolla sedan exports to Canada and the U.S. from Japan.
- A \$650 million expansion of Ford's Windsor facilities to produce engine components for a new range of Ford cars.

Ontario-based auto parts manufacturers, like the province's assemblers, have performed well in the past two years due to the strong vehicle market in the U.S. and an improving competitive position. Automotive parts manufacturers have adopted new production strategies to meet the demanding needs of assemblers. Successful firms are taking greater responsibility for the design and engineering of many auto parts and achieving specific quality and cost standards. Many independent Ontario parts manufacturers have product design and engineering capabilities that are world class. Others are investing in technology to carry out their own product design and development.

The Ministry of Finance expects output gains averaging 6 per cent a year in autos and parts and a total of 22,000 jobs over the 1995 to 1998 period. In addition to healthy sales in the U.S. and Canada, Big Three producers are recovering market share, and the North American industry is increasing exports. The share of Ontario-made vehicles has grown to almost 13 per cent of vehicles sold in North America and is expected to continue growing through the forecast period.

Business Equipment and Related Services²

The products from business equipment and related service industries are essential investments for firms in all sectors of the economy as they upgrade their production processes, technology

² This sector includes capital equipment used by businesses such as machinery; aircraft and parts; communications and electrical industrial equipment; computers and other office equipment; scientific, environmental and health equipment. It also includes related computing, design, engineering, and scientific services.

and equipment. This sector is also subject to intense international pressure as customers search worldwide for the best advice and equipment at the lowest cost. Ontario firms in this sector are successful for several reasons. Compared to other sectors, they are highly export-oriented, have an exceptional commitment to R&D and are willing to work in alliances with a broad range of other suppliers.

Over 85 per cent of Ontario's business equipment output is exported - over two-thirds internationally and another fifth to other provinces. The sector is expected to show a trade surplus of \$2.9 billion in 1994. Export opportunities for Ontario firms reflect vibrant North American demand and the boom in infrastructure spending in Asia and other developing economies.

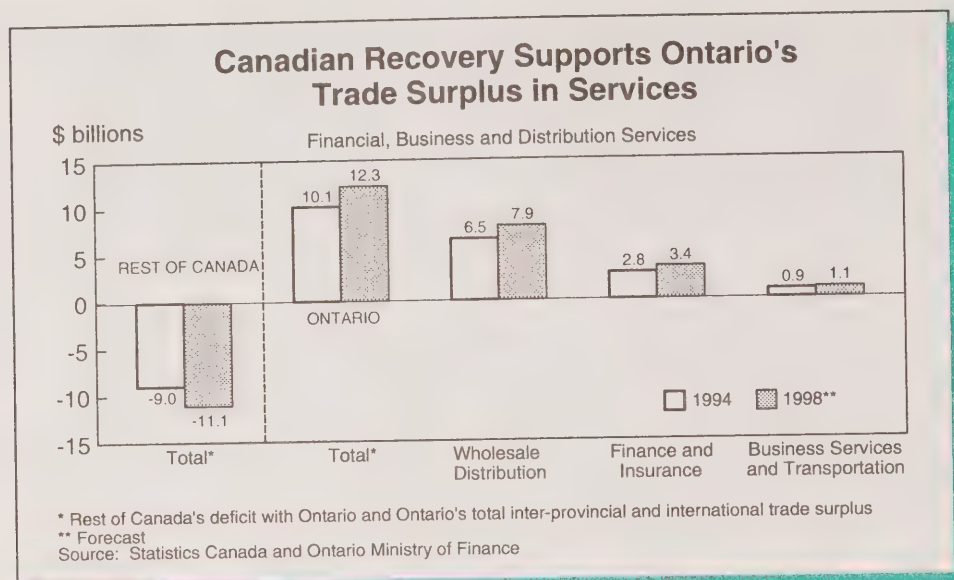
This sector's R&D orientation allows it to innovate continuously and improve operations, products and services. It performs 69 per cent of manufacturing R&D in Ontario, although its share of Ontario manufacturing shipments is only 13 per cent. The business equipment sector spends 15 times more on R&D relative to the value of shipments than other manufacturing industries.

Sector shipments are forecast to grow from \$24 billion in 1994 to \$34 billion in 1998. This will lead to an Ontario trade surplus of \$5.1 billion in 1998. Future export opportunities are especially strong in the Asia/Pacific region and developing countries in other parts of the world. Exports to these areas are expected to increase by 25 per cent and 12 per cent per year, respectively. The sector will create 51,000 new jobs in the 1995-98 period.

Financial, Business and Distribution Services³

Ontario is a major financial, air transportation and wholesale distribution center for Canada and, increasingly, the Great Lakes region. The province is a key location for many corporate headquarters and firms supplying business services such as management consulting, printing and advertising.

³ This sector includes various services purchased largely by business such as finance, insurance, accounting, legal services, management consulting, commercial printing, wholesale distribution, communications and transportation services.



As a group this sector exported \$18 billion in 1994 to other provinces and \$6 billion to other countries. The sector's trade surplus, half of which is generated by wholesale services for other provinces, is expected to rise to \$12.3 billion by 1998.

Increased household and business spending is a major impetus for growth in lending and other financial service activity. This growing demand is being met through increased competition, new services such as electronic payments, money management, payroll services and specialized lending facilities for key groups such as exporters and growing small businesses. For consumers, new savings and investment vehicles include the steady increase in mutual funds and financial planning services.

Changing telecommunications and computer technology are spurring major new market opportunities in communications and other business services. A burgeoning array of new information-based services is attracting new entrants and new customers. Growth in communication and business services has exceeded the provincial average for over a decade, and will continue to be very rapid during the forecast period.

Distribution services, such as wholesaling, are also recovering along with the economy. After a decade of deregulation, a severe recession, and extensive restructuring, the trucking and airline industries have begun to recover and are poised for healthy expansion and profit rebuilding. Rail services, while also

recovering and benefitting from the trend to integrated truck/rail shipping, are expected to continue rationalization.

Output in this sector will grow by an estimated 4.7 per cent a year over the 1995-98 period. The sector will also create 139,000 jobs — one quarter of all job creation in the province.

Industrial Materials⁴

Vigorous demand from Ontario automotive and business equipment producers and from U.S. manufacturers has helped to spur production and exports in this sector.

Ontario industrial producers are restructuring their operations to compete more effectively on a North American basis, helping to raise exports by 21 per cent in the first half of 1994, and by more than 50 per cent since 1989. Companies have been shedding unprofitable lines and seeking new partnerships. Algoma Steel in Sault Ste. Marie, for example, has forged a more profitable future for itself with the help of its employees, banks and the federal and Ontario governments. The plastics industry, also in partnership with labour and government, is pursuing a strategy to improve skills and technological and marketing capabilities. Specialty chemical producers are following suit.

Changing technology and customers' more exacting product specifications are also having an impact on the sector. Steel companies, for example, are cooperating on efforts to develop thinner and stronger steels. Husky Injection Moldings Systems Ltd. has established a world-class research center in Bolton with the help of a provincial loan. Facilities such as the Ontario Centre for Materials Research in Kingston and the Institute for Chemical Science and Technology in Sarnia are also helping to develop new industrial materials and applications.

These kinds of initiatives are positioning Ontario firms to capture a larger share of the North American market. With U.S.

⁴ Industrial materials are intermediate manufactured goods used by other industries to produce finished products. The sector includes manufacturers of steel, aluminum, industrial chemicals, plastics, primary textiles, fabricated metal products, and non-metallic products such as cement, brick and glass.

manufacturing activity expected to remain robust, and many U.S. competitors already operating near capacity, Ontario producers should achieve moderate growth in output over the medium term. This will be reinforced as Ontario construction and consumer goods activity picks up. Sector employment has stabilized, after falling during the recession, and should show a moderate increase over the next few years, mainly in metal fabricating and non-metallic mineral products.

Agriculture and Resource-based Industries⁵

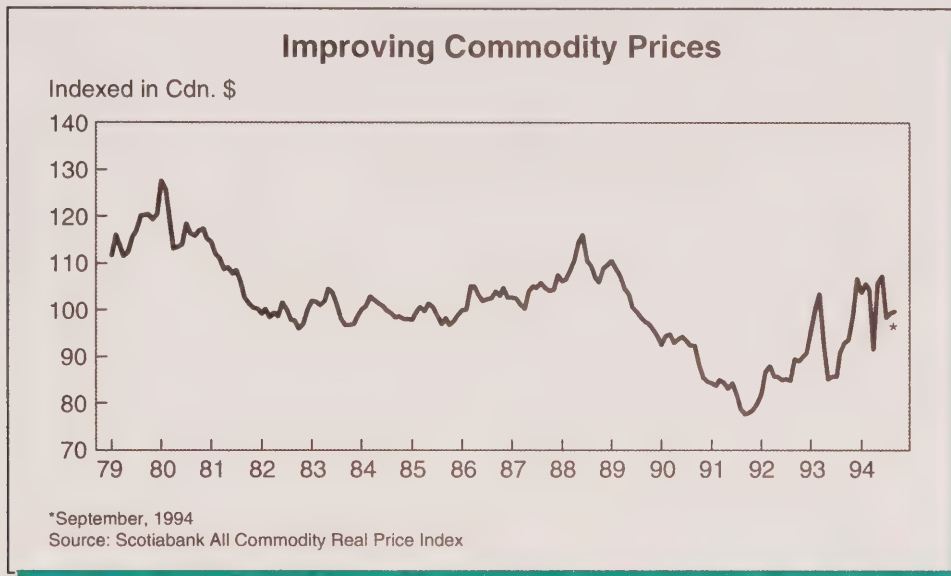
Resource prices are firming as world economic growth accelerates and broadens to include recovery in Japan and Europe. Exports and profits are also benefitting from Canada's lower dollar. The continued expansion and industrialization of emerging economies such as China and numerous Pacific Rim and South American countries will fuel greater demand for resources.

In response to international market conditions, farm product prices are expected to continue trending gradually upward through the outlook period despite recent setbacks. At the same time, improvements in farming practices, more farm specialization and increased domestic demand are supporting production increases. The gradual reduction of import barriers for supply managed products under the agreement establishing the World Trade Organization is beginning to affect the redesign of these systems. For example, changes to the national supply management agreement for chicken are in response to the new agreement and to increased domestic demand. Ontario food processors have already made substantial adjustments in response to the Free Trade Agreement.

Lumber has reached relatively high demand and price levels in response to higher U.S. housing starts and environmental constraints on northwestern U.S. timber harvests. Pulp, newsprint and other paper prices are also recovering, bringing most producers out of the red and improving profit prospects over the medium term. Numerous expansions are underway or

⁵ This sector includes agriculture, food processing, beverages and tobacco products; forestry, wood, pulp and paper products; mining, smelting, refining and initial processing of non-ferrous metals; and energy-related activities such as petroleum refineries, and electrical generation.

planned in panelboard, and increased output is also expected in secondary wood products as Ontario home building activity picks up. This will contribute to a modest increase in overall forest industry employment.



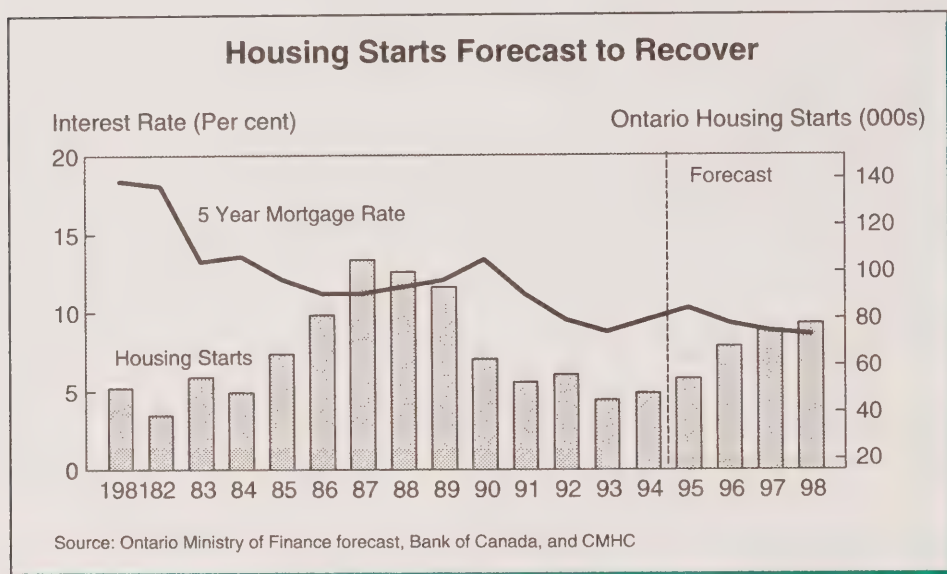
Mineral prices slumped during the recession, but some Ontario mining operations, like the Hemlo area gold mines, are low-cost producers. Others, like Inco and Falconbridge, took strong steps to improve productivity and lower costs. A cyclical recovery in metal prices will improve profits and help raise the low level of mineral exploration, but no overall increase in metal mining output or employment is expected over the medium term. However, increases are expected in construction materials like sand, gravel and stone.

Construction⁶

The residential housing market accounts for about half of all construction spending in Ontario, or some \$12 billion annually. This sector was hit particularly hard by the recession and high

⁶ This sector includes residential and non-residential construction. The latter includes such structures as commercial office buildings, stores, factories, hospitals, schools, power plants, highways, sewage systems and pipelines.

interest rates. Increased government-supported social housing partially offset the weakness in private starts. However, growth in full-time employment will lead to a resurgence in Ontario housing demand over the next few years. Favourable demographics, pent-up demand, lower mortgage rates and firmer house prices will further boost growth to a rate above that of the overall economy.



Total Ontario housing starts are projected to rise to 48,000 in 1994, and 54,000 in 1995. Over the 1996-98 period, starts will average about 74,000 a year. Spending levels on residential construction will reflect this pickup, as well as increased renovation spending and growth in resale activity. Total real spending on residential construction is forecast to grow by an annual average of 8.1 per cent over the 1995-98 period, with an increase of 82,000 jobs.

Non-residential construction faced a particularly severe contraction because the recession followed a period of over-building of commercial office space during the late 1980s. Government played a large role in alleviating this drop in activity. To counteract the impact of the recession, the Ontario Government invested in infrastructure such as institutional buildings, roads and sewer projects. It also levered significant private sector investment and created economic benefits in other

sectors of the economy through construction's extensive inter-industry linkages.

Continued government involvement is accelerating the start of many new projects such as Highway 407, the Windsor Casino, expansion of the Metro Toronto Convention Center and the Ottawa Palladium. Over the next three years, 11,000 jobs will be created by **jobsOntario** initiatives to conserve water and energy and reduce waste through "Home Green Ups" assessments and green industrial analyses and retrofits.

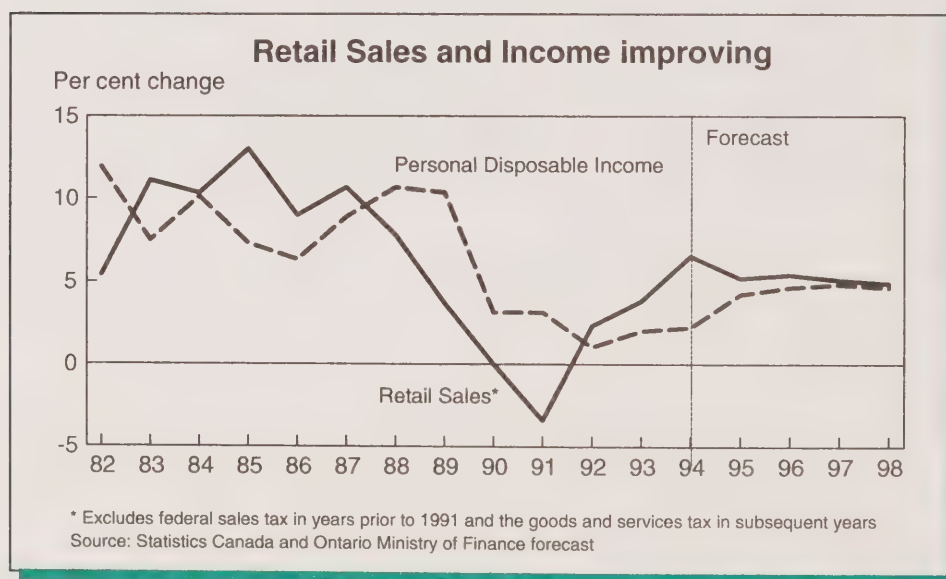
Major Government-Induced New Projects	
Project	Investment (\$ millions)
New Highways/Major Upgrades	2,800
Rapid Transit Expansion	2,500
Water and Sewer Projects	755
Entertainment/Sports Facilities	710
Source: Ontario Ministry of Finance	

Government sponsored projects will continue to contribute to overall growth in non-residential construction, generating 26,000 jobs over the forecast period. Private investment in non-residential construction is expected to begin to recover in 1995, averaging 5.6 per cent real growth a year in the 1995-98 period. Signs of improvement include higher capacity utilization by manufacturers and increasing requirements for more modern facilities to accommodate new production methods. Also, renovation activity is recovering — led by the retail segment, as both U.S. chains and domestic retailers look for more modern and larger outlets. However, there is still an excess supply of commercial space, including office buildings and shopping malls, and utility construction is declining.

Retail, Consumer Products and Services⁷

Household spending, revived by healthy employment gains, improving confidence and a strong dose of pent-up demand, is forecast to grow at an inflation-adjusted 3.3 per cent a year over the medium term. This will boost Ontario's retail trade sector as well as industries which provide consumer goods and services.

Retail sales are forecast to grow by 5.2 per cent a year in current dollars over the medium term. This will help restore profit margins to more acceptable levels for many retailers. Competition among retailers will remain intense as consumers look for ways to stretch their dollars. Some retailers will also face more competition from large U.S.-based retailers who are setting up shop in Canada.



Consumer product manufacturers also face stiff competition from U.S. and offshore producers, but have responded by becoming much more international in their marketing efforts. Helped by a lower dollar and strong U.S. demand, Ontario exports have risen

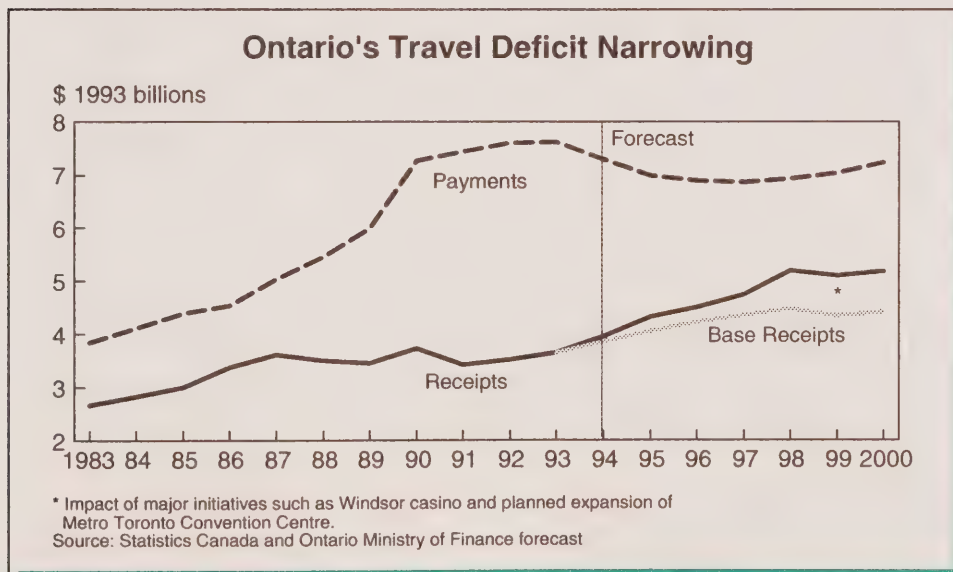
⁷ This sector includes: retailing activities; consumer products manufacturing industries such as clothing, footwear, household furniture, appliances, pharmaceutical and sporting goods; and personal services such as barber shops, laundries and vehicle rentals.

twice as fast as imports, rising 150 per cent in the past five years compared to 68 per cent for imports.

Output for this sector is forecast to expand by an inflation-adjusted 3.5 per cent a year over the 1995 to 1998 period reflecting spending by consumers, reduced cross-border shopping and improved export performance. Employment growth is expected to average 3.3 per cent a year, totalling 134,000 jobs.

Leisure and Tourism⁸

Demand for Ontario leisure, recreation, and tourism services is driven by discretionary household spending, so output and employment are expected to rise as the province's economy strengthens. However, with Ontario consumers able to choose from a growing range of leisure goods and services, competition in this sector will remain strong over the medium term. Entertainment and cultural industries such as publishing, film and commercial theatre are marketing products and services internationally to boost sales.



⁸ This sector includes services related to leisure and tourism such as restaurants, hotels, travel agencies, theaters, and publishing.

Industries such as accommodation and restaurants are beginning to benefit from the economic recovery and the low Canadian dollar. Ontario's international travel deficit is expected to shrink over the medium term, due to the combined effects of lower Ontario travel payments and increased international receipts. Ontario's cross-border shoppers and winter travellers have curtailed their out-of-province travel due to the weaker dollar and higher health insurance costs, and are spending more locally. Increased receipts are anticipated in light of Ontario's improved cost competitiveness and growing range of cultural and recreational tourism attractions. The opening of the Windsor casino is already providing an important boost to Ontario's tourist industry.

Broader Public Sector⁹

Governments and public sector agencies are under fiscal pressure, and will seek to balance demand for more and better services with the need to contain or reduce costs. With population growing by 1.6 per cent a year, the need for public sector services will continue to expand. The demand for education is increasing even faster, as students seek to upgrade their qualifications to ensure good jobs in a more competitive world. The demand for health services is also rising more rapidly due to aging of the population and new medical developments. Similarly, as new houses are built and neighbourhoods expand, basic services such as waste disposal, firefighting and police services are required.

However, with greater efficiency in the delivery of public services, Ontario will meet these new requirements with essentially no public sector growth. The government is working with hospitals, schools, post-secondary institutions, municipalities, social service and other agencies to find better ways of providing quality affordable services.

Examples include:

- Reducing and streamlining the number of government ministries from 28 to 20, and consolidating and sharing common administrative services — such as financial, legal,

⁹ The sector includes federal, provincial and municipal public administration, health, education and social services, and non-profit organizations.

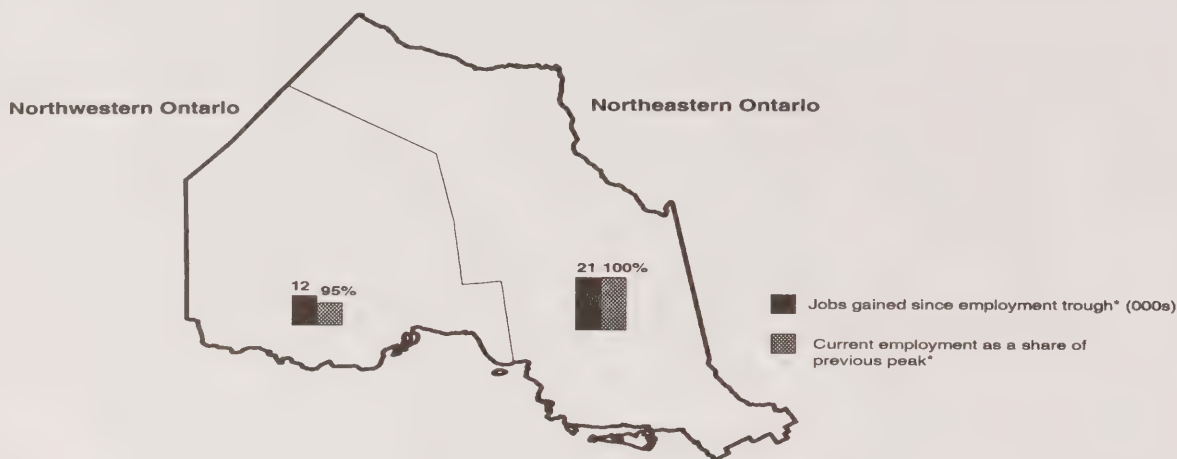
and human resources — across various ministries. Ministries are also exploring ways of reducing overhead by consolidation of purchasing and other business functions;

- Adopting new technologies to improve service — for example, by setting up kiosks similar to automatic banking machines where people can renew vehicle license stickers and access other services 24 hours a day and by providing client on-line business registration facilities and on-line client access to registered corporation information via a new computerized Ontario Business Information System;
- Streamlining the registration processes for new businesses, so that new entrepreneurs can register the Business Name, Retail Sales Tax Vendor Permit, Employer Health Tax and Workers' Compensation in a one-window process;
- Redirecting health care resources to the areas of greatest need by reducing short-term hospital stays, performing more day surgery and encouraging the development of community-based services;
- Persuading municipalities to achieve greater fiscal efficiencies, such as those realized by Pittsburgh Township in the Kingston area which reduced its 1993 operating budget by \$500,000 or 10 per cent, through an employee-driven, bottom-to-top cost cutting initiative;
- Encouraging school boards to streamline operations by reducing the number of trustees, as well as encouraging greater cooperation to achieve savings in such areas as purchasing supplies, busing, libraries and computer networks;
- Promoting the development of multi-use school facilities where various providers of public services can share space, personnel and maintenance costs.

For the sector as a whole, current employment of 1.1 million is forecast to increase by a modest 0.3 per cent a year over the 1995 to 1998 period. Over this interval, the share of public sector employment is expected to fall from 24 per cent to 21.7 per cent of total employment in the province.

1994 ONTARIO ECONOMIC OUTLOOK

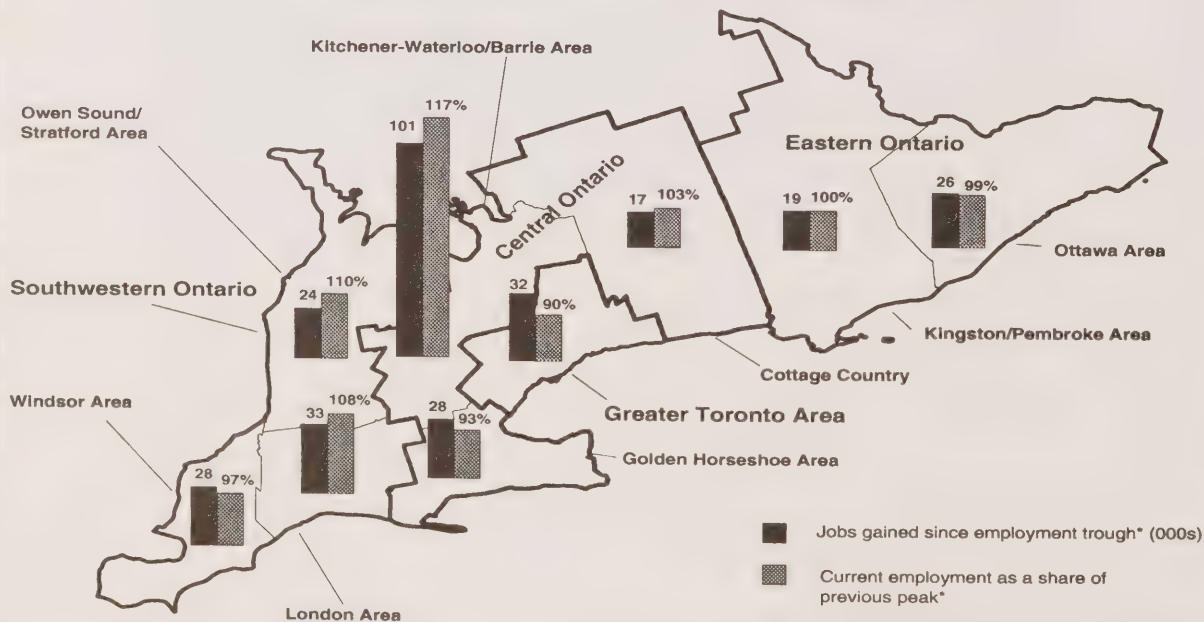
Job Gains in Northern Ontario Regions



Note: The height of the two bars will be the same when a region has reached its previous peak.

Source: Statistics Canada and Ontario Ministry of Finance

Job Gains in Southern Ontario Regions



Note: The height of the two bars will be the same when a region has reached its previous peak.

Source: Statistics Canada and Ontario Ministry of Finance

* Quarterly employment peaks and troughs vary by region: Northeast (1st 90, 2nd 92), Northwest (3rd 90, 1st 94), Ottawa Area (4th 88, 3rd 93), Kingston/Pembroke Area (1st 90, 3rd 90), Cottage Country (1st 88, 2nd 89), Greater Toronto Area (1st 90, 1st 94), Kitchener-Waterloo/Barrie Area (4th 89, 1st 91), Golden Horseshoe Area (1st 90, 1st 93), London Area (1st 91, 4th 91), Windsor Area (2nd 89, 1st 92), Owen Sound/Stratford Area (3rd 89, 3rd 90). The Ministry of Finance has seasonally adjusted Labour Force Survey regional data using Statistics Canada's X-11 package. The regions defined by the Labour Force Survey include Burlington in the Golden Horseshoe Area.

V: Community and Regional Outlook

Overview

The broadly-based expansion currently under way is spreading throughout Ontario's community and regional economies.

All regions in Ontario are showing solid job gains.¹ Several have already passed their previous peak employment levels. Unemployment rates have declined steadily in most urban centres in the last year. London and Kitchener-Waterloo have the lowest unemployment rates in Canada.

The growth in community and regional economies can be attributed partly to macroeconomic factors such as the decline of the dollar, lower interest rates, low inflation, growth in the U.S. economy, and rising consumer confidence. But the resilience of industries and communities in responding to economic change also has contributed to the turnaround. Through partnerships with companies and workers, provincial and local governments have played a role in helping them adjust to economic change and position themselves for growth.

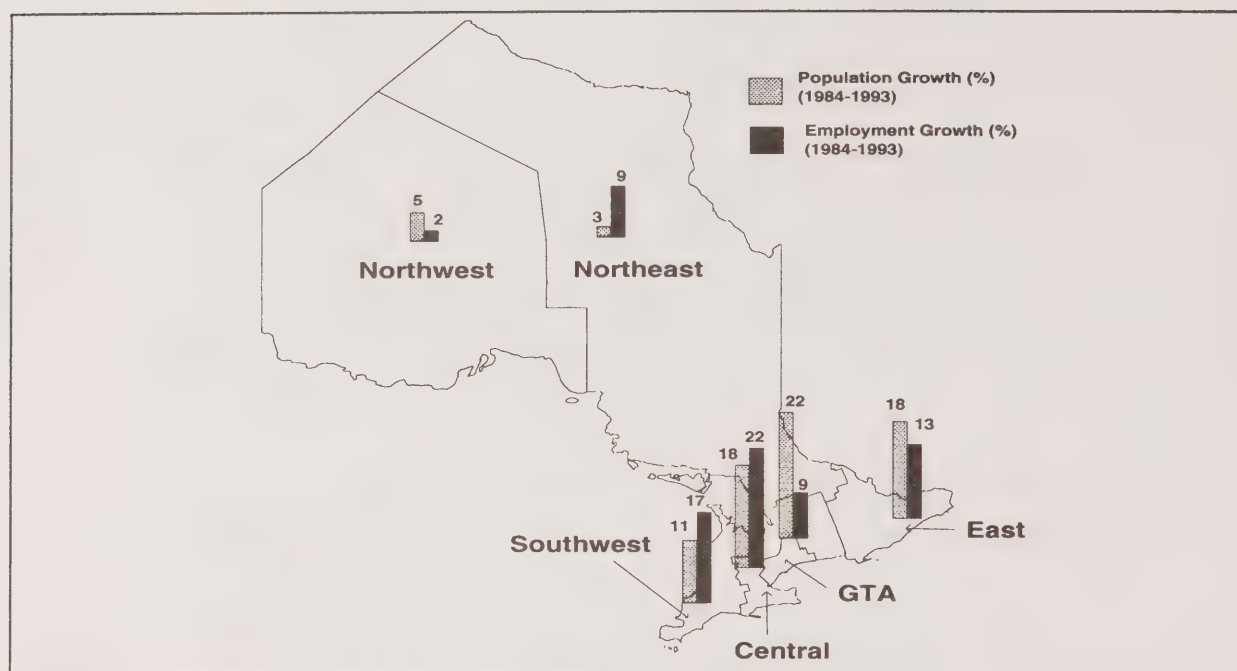
A Picture of Ontario's Communities and Regions

The province can be divided into five broad areas for the purpose of analyzing regional economic characteristics: Southwest, North, East, Central and the Greater Toronto Area². Although all regions have diversified economies, their mix of industries differs, and this in turn influences their economic performance and outlook.

¹ Statistics Canada aggregates data from its monthly Labour Force Survey into 11 regions in Ontario to track labour market conditions. Refer to the map opposite. These regions can be further aggregated into the five regions discussed in the chapter.

² The usual choice of five regions is: Southwest, Northeast, Northwest, East and Central. Because of the GTA's national and provincial significance and its rapid growth in the last twenty years, it is considered separately from the rest of Central Ontario. The Northeast and Northwest are combined for parts of the analysis.

Regional Growth and Employment Specialization



Employment Specialization¹ of Regions, 1993

	Ontario	South-west	North-east	North-west	East	Central	GTA ²
Agriculture	100	282	--	--	105	133	22
Other Primary	100	--	1116	797 ³	--	--	--
Manufacturing	100	115	52	85	60	118	104
Construction	100	106	88	95	107	110	92
Transportation	100	103	141	213	88	93	96
Communication	100	70	91	--	99	60	123
Utility	100	140	--	--	--	68	99
Wholesale/Retail Trade	100	92	111	94	99	106	99
Fin., Ins. & Real Est.	100	82	53	70	66	81	137
Community Services	100	105	118	114	105	104	92
Business & Personal Serv.	100	82	96	88	106	91	111
Miscellaneous Services	100	80	86	--	93	86	120
Public Administration	100	57	133	135	229	72	82

Source: Labour Force Survey, 1993 Annual Averages and Ontario Ministry of Finance

Notes: 1. Numbers greater than 100 indicate specialization relative to Ontario. Numbers less than 100 indicate under-representation.
 2. Does not include data for the City of Burlington. 3. 1992 figure. -- Data not available.

Long-Term Employment and Population Growth

Employment and population grew in all five regions over the last ten years.

Central, Southwest and Eastern Ontario generated strong employment growth, ranging from 13 per cent in the East to 22 per cent in the Central Region. The GTA boomed during the 1980s expansion but has been slower to shrug off the effects of the recession than other regions. It grew at the same pace as the Northeast – 9 per cent. Employment growth in the Northwest has been modest.

The GTA showed the fastest population growth in the last ten years, followed closely by the Central and Eastern Regions. The GTA's attractiveness to immigrants fuelled its growth, which is expected to continue to exceed the provincial average between 1994 and 2001. Employment growth exceeded population growth by a large margin in both the Southwest and the Northeast.

Specialization Influences Regional Economic Performance

Some regional economic specializations are longstanding and widely known: the GTA in financial and business services, the East in public administration, the North in resources, and the Southwest and Central regions in agriculture and manufacturing.³

These specializations influence economic performance. Strong growth in business services, financial services and construction helped propel the GTA's expansion during the 1980s but growth in these sectors came to an abrupt halt during the recession. In the North, rapid growth in the broader public sector cushioned the impact of structural change in other sectors. Extensive change in the manufacturing sector disproportionately affected Southwestern and Central Ontario, as well as the GTA. Although the GTA's share of manufacturing employment is only slightly above the Ontario average, it is highly specialized in manufacturing in comparison with most other large urban areas in Canada.

³ Regional economic specialization refers to the extent to which a particular region has a larger share or concentration of an industry than the provincial average.

Regional Export Intensity Differs

The provincial economy is part of a broader Great Lakes regional economy. Over 70 per cent of Ontario's exports to the U.S are to the Great Lakes states, equivalent to about 21 per cent of provincial GDP. The province's five economic regions differ substantially in their export intensity.

The Southwest's auto sector helps to give it a strong export orientation. About 44 per cent of its manufacturing employment is in industries with high or very high export intensity. Over 80 per cent of the North's manufacturing employment is in industries that export at least 30 per cent of their shipments. Most are resource-related. In the East, on the other hand, more than one-half of manufacturing employment is concentrated in industries that export less than 30 per cent of their shipments.

Share of Total Manufacturing Employment By International Export-Intensity of Industry, 1991				
Export Intensity	Southwest Per cent	East Per cent	Central & GTA Per cent	North Per cent
Very high (70%+)	35	3	16	3
High (50% to 70%)	9	6	11	32
Medium (30% to 50%)	10	34	19	48
Medium-to-Low (11% to 30%)	27	26	25	8
Low ($\leq 10\%$)	15	26	22	7
Notes: Export intensity is measured as the ratio of Ontario's international manufacturing exports to manufacturing shipments in 1990. Shares do not add to 100 because some industries were not classified.				
Source: Ontario Ministry of Finance estimates based on data from Ontario Ministry of Economic Development and Trade and Statistics Canada.				

The GTA/Central region's manufacturing employment is more or less evenly distributed from high to low export intensity. However, some of the region's industries with moderate export intensities, such as steel, supply intermediate inputs to highly export-oriented industries such as autos. Furthermore, the GTA is also the source of large service-sector exports to the rest of Canada.

The Growing Importance of Community Economies

Throughout the industrialized world, the fortunes of national economies are increasingly tied to the performance of local economies. A recent OECD study argues that globalization – meaning the tendency for world-wide networks of firms to produce and distribute an increasing share of output – is likely to reinforce rather than reduce the importance of local and regional economies. This is because tightly-knit local networks provide the specialized labour force, infrastructure and innovative capability needed to achieve competitive advantage. At the same time, the globalization process increases the competitive pressure on regional and community economies.⁴

The analysis of large economic regions provides important insights into the workings of the provincial economy. However, information at this level also conceals many variations within regions.

Ontario has 42 local or "community" economies with a population of 10,000 or more, defined on the basis of their labour markets. Statistics Canada differentiates local labour markets by size: census metropolitan area (CMAs) have a population of 100,000 or more people, and census agglomerations (CAs) have a population of between 10,000 and 100,000 people⁵.

⁴ OECD, "Globalization and Local and Regional Competitiveness", OECD Working Papers, Volume II, Number 16, 1994.

⁵ CMAs and CAs consist of an urbanized core plus adjacent urban and rural areas that have a high degree of economic and social integration with the core. Adjacent urban and rural municipalities (census subdivisions) are included if at least 50 per cent of the employed labour force living in the CSD works in the urbanized core or at least 25 per cent of the employed labour force working in the CSD lives in the urbanized core.

1994 ONTARIO ECONOMIC OUTLOOK

As the table below shows, these 42 community economies account for 85 per cent of provincial employment⁶. They are increasingly at the front lines of international competition. The province also has a large number of towns, villages, and rural areas which, although small in terms of population, are still economically significant.

Ontario's Economic Centres			
Economic Areas	Share of Ontario Population (1991, %)	Share of Ontario Employment (1991, %)	Share of Ontario Income (1990, %)
GTA*	41.0	42.8	45.2
Other Large CMAs**	29.1	29.1	29.1
CAs***	14.1	13.3	12.5
Towns, villages, agricultural and rural areas	15.8	14.8	13.2
<p>* Toronto and Oshawa CMAs.</p> <p>** Other large CMAs include Hamilton, Kitchener/Waterloo, London, Ottawa, St. Catharines/Niagara, Sudbury, Thunder Bay and Windsor.</p> <p>*** CAs include Barrie, Belleville, Brantford, Brockville, Chatham, Cobourg, Collingwood, Cornwall, Elliot Lake, Guelph, Haileybury, Hawkesbury, Kenora, Kingston, Kirkland Lake, Leamington, Lindsay, Midland, North Bay, Orillia, Owen Sound, Pembroke, Peterborough, Port Hope, Sarnia, Sault Ste. Marie, Simcoe, Stratford, Tillsonburg, Timmins, Wallaceburg and Woodstock.</p> <p>Source: Statistics Canada, 1991 Census.</p>			

⁶ The concept of "community" can be used in a variety of ways. Local labour markets are treated as communities in this analysis because they provide an economic rationale for "community economies" and because data are reasonably available for CMAs and CAs.

Partnerships for Economic Growth

Many communities are rethinking their approach to economic development as a result of the adversity they experienced during the recession and their expectation of continuing economic change. "Business as usual" is not the order of the day.

Like communities, the Government is also changing its approach to regional and local economic development. Ontario's community and regional economies will continue to face globally-induced change during the 1990s. Governments cannot insulate them from these changes but can seek to develop partnerships that help them become more self-reliant. To do this, the Province has pursued a community-centred philosophy that focuses on building capabilities, rather than just providing top-down assistance.

The Government's community-centred philosophy is closely linked to Ontario's Industrial Policy Framework, which emphasizes capability-building in firms, sectors and communities as fundamental to the creation of competitive advantage.

The \$300 million **jobsOntario** *Community Action* is the Government's key program for translating its community-centred philosophy into reality. It encourages communities and community groups to develop projects appropriate to the local economic situation. It also encourages provincial ministries to work more closely together and in partnership with local project sponsors. The program helps communities to set long-term priorities, improves access to capital for small and medium-sized companies, and supports local infrastructure projects. So far, it has committed \$129 million in funding for more than 1,000 projects.

The Province has helped communities to have more control over their own economic destinies by improving local access to capital. This has been accomplished through a series of measures, including **jobsOntario** *Community Action's* community loan funds and community investment share corporations, the Farm Plus loan program, worker ownership legislation, and new rules for credit unions and co-ops.

The Government has changed the way it delivers training to meet the needs of communities better. The federal and provincial governments are jointly establishing a network of local boards that will target training to local economic development priorities. These local boards include representatives of business, labour and community groups.

The Province is reforming Ontario's planning and development system. The reforms will increase municipal control of the development process and reduce red tape. Municipalities will be responsible for a range of land-use planning approvals that formerly required Provincial ratification.

In addition to its community-centred philosophy, the Government has invested directly in regional and local economic development through infrastructure and industrial assistance.

The rest of the chapter discusses the outlook for the province's five economic regions individually.

The Southwest

Employment growth is back on track in the Southwest with a 2.3 per cent gain in the first ten months of 1994 over the same period in 1993. London, the region's largest economic centre, has the lowest unemployment rate among Ontario's major urban centres – 5.6 per cent in October 1994.

With over one third of its manufacturing employment concentrated in the export-intensive transportation equipment industries, the Southwest is a major contributor to the province's surging exports. Restructuring of the automotive sector is paying off. A long-term shift to more sophisticated activities, improved productivity, and increased investment in plant modernization is stimulating the region's economic growth. Major auto manufacturers have invested more than \$2 billion in the region since 1991.

The Southwest accounts for close to 40 per cent of Ontario's agricultural employment. The region's agricultural sector is well integrated into the North American market. Higher U.S. prices in the first half of 1994 have helped the region's farmers realize better prices for several agricultural commodities, including grains and cattle.

The region's tourism industry is also expected to take advantage of renewed consumer confidence and proximity to major U.S. centres. The Stratford Festival, for example, is a popular destination for U.S. visitors, who account for about 34 per cent of ticket sales. And the Windsor Casino is playing an important role in revitalizing the area's economy, generating gross revenues of about \$236 million in its first six months of operations.

The Southwest will continue to build on and benefit from its institutional strengths. For example:

- The region has several universities, colleges and specialized institutes, including the Universities of Western Ontario and Windsor, Sarnia's Lambton College and London's John P. Robarts Research Institute (a world leader in heart, stroke and immunology research).

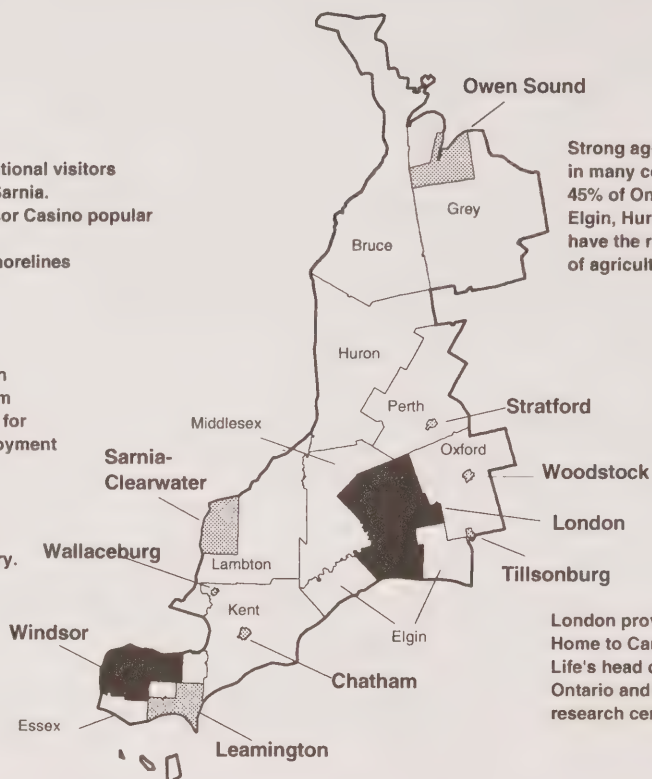
Southwestern Ontario Region

Gateway to U.S. markets:
About one quarter of international visitors pass through Windsor and Sarnia. Stratford Festival and Windsor Casino popular tourist destinations. Lake Huron and Lake Erie shorelines are recreational magnets.

With Sarnia's specialization in petrochemicals and petroleum refining, the region accounts for about 36% of Ontario's employment in these industries.

Key role in the auto sector:
34% of Ontario's auto industry. Chrysler's head office in Windsor. Auto-related industries in smaller centres such as Stratford.

Strong agricultural roots still evident in many communities:
45% of Ontario's agricultural sales. Elgin, Huron, Perth and Oxford have the region's highest concentration of agriculture employment.



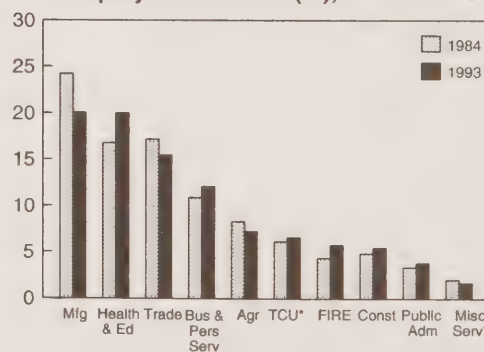
Note: The economic centres shown are CMAs and CAs (labour markets) defined by Statistics Canada. They may include several municipalities (census divisions or census subdivisions).

■ CMA ■ CA

Key Features

- Export-intensive industries
- Gateway to and from the U.S.
- Competitive agriculture
- Advanced services

**Southwestern Ontario's Economic Structure
Employment Shares (%), 1984 & 1993**



* Shares may be underestimated due to data unavailability.
Note: Some sectors are not shown and shares may not add to 100 per cent because of data unavailability.
For 1984, in Region 570, 1985 shares are used for communication and 1987 shares for utilities.
TCU is Transportation, Communication and Utilities. FIRE is Finance, Insurance and Real Estate.
Source: Statistics Canada and Ontario Ministry of Finance

Economic Structure of the Southwest's CMAs and CAs Share of Total Earnings (%), 1992								
CMA/CA	Agr. & Prim.	Manufac- turing	Constru- ction	Dist. Serv.	Consum. Serv.	Bus. & Fin.	Health & Ed.	Pub. Admin.
London	1.4	20.4	4.6	11.8	12.9	13.0	24.7	11.1
Windsor	1.3	38.6	4.1	8.6	13.1	10.1	17.2	7.1
Samia	3.3	34.5	6.4	10.1	12.9	8.5	15.1	9.1
Stratford	1.5	35.7	4.5	7.3	16.3	9.8	17.5	7.4
Owen Sound	1.6	21.2	3.2	13.4	14.7	8.1	25.4	12.4
Wallaceburg	2.5	54.0	2.7	15.2	8.7	1.9	10.9	4.1
Tillsonburg	4.2	40.9	4.3	8.8	11.7	8.5	15.9	5.7
Chatham	2.6	23.1	2.9	17.5	13.2	6.9	21.0	12.8
Woodstock	2.6	33.1	3.0	9.6	10.7	10.4	16.0	14.6
Leamington	10.1	36.2	4.6	7.9	11.7	5.4	16.4	7.6
Ontario	2.3	21.6	4.5	13.5	14.9	14.6	15.8	12.7
Source: Statistics Canada, Small Area File.								

- The Health Industries Strategy, approved in April 1994, recognized London as a centre for community health economic development. LARG*net, a medical imaging communications network linking London's teaching hospitals and medical institutes, will strengthen the area's health industry.
- Auto assemblers are moving to more sophisticated activities. Chrysler Canada and the University of Windsor announced the establishment of an Automotive Research and Development Centre that will extend their expertise in areas related to engine design. Ford is making Windsor a major centre for the production of engines and engine components.

Northern Ontario Region

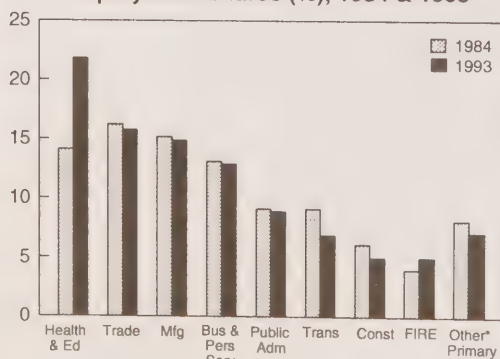
The modern Northern Ontario economy:
About three-quarters of the labour force works in the service sector, slightly above the provincial average.
Employment in the broader public sector has increased by 36% over the last ten years.

Urbanization in the North:
Nearly 60% of northern residents live in the five largest centres: Sudbury, Thunder Bay, Sault Ste. Marie, North Bay and Timmins.

Note: The economic centres shown are CMAs and CAs (labour markets) defined by Statistics Canada. They may include several municipalities (census divisions or census subdivisions)

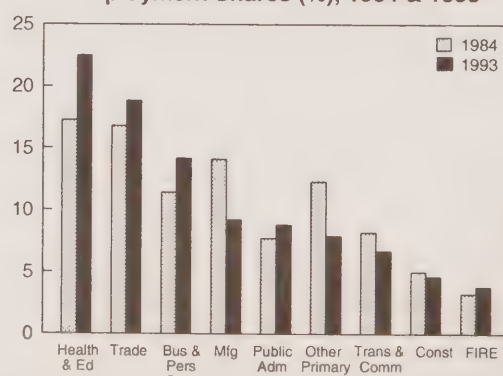


**Northwestern Ontario's Economic Structure
Employment Shares (%), 1984 & 1993**



* Other Primary is based on 1992 data.
Note: Some sectors are not shown and shares may not add to 100% because of data unavailability.
FIRE is Finance, Insurance and Real Estate.
Sources: Statistics Canada and Ontario Ministry of Finance

**Northeastern Ontario's Economic Structure
Employment Shares (%), 1984 & 1993**



Note: Some sectors are not shown and shares may not add to 100% because of data unavailability.
FIRE is Finance, Insurance and Real Estate.
Sources: Statistics Canada and Ontario Ministry of Finance

The North

The outlook for the North is positive. The Northeast has reached its pre-recession peak level of employment, while the Northwest has regained 9,000 jobs since February. Resource sector output is expected to grow as exports rise. Most employment growth will come from the service sectors as the economy continues to diversify and restructure.

Northern communities have responded to economic change by diversifying and repositioning their economies. During the past ten years, regional employment in the trade, finance, business and personal service sectors grew by 20 per cent, compared to an increase in total regional employment of 7 per cent. Employment in health, education and social services grew by 46 per cent. As a result of the growth in services, the North's larger community economies have broadened their scope as regional centres.

The restructuring of Northern Ontario's resource-based industries is a long-term trend. Value added per employee in these industries is rising as a result of the adoption of new process technology. For example, the real value of metallic mineral production increased from \$115,000 per employee in 1984 to \$201,000 per employee in 1993, a 75 per cent increase in productivity.⁷ Efforts to increase the resource-related R&D capability in the North's universities and forest management research centres will reinforce this trend.

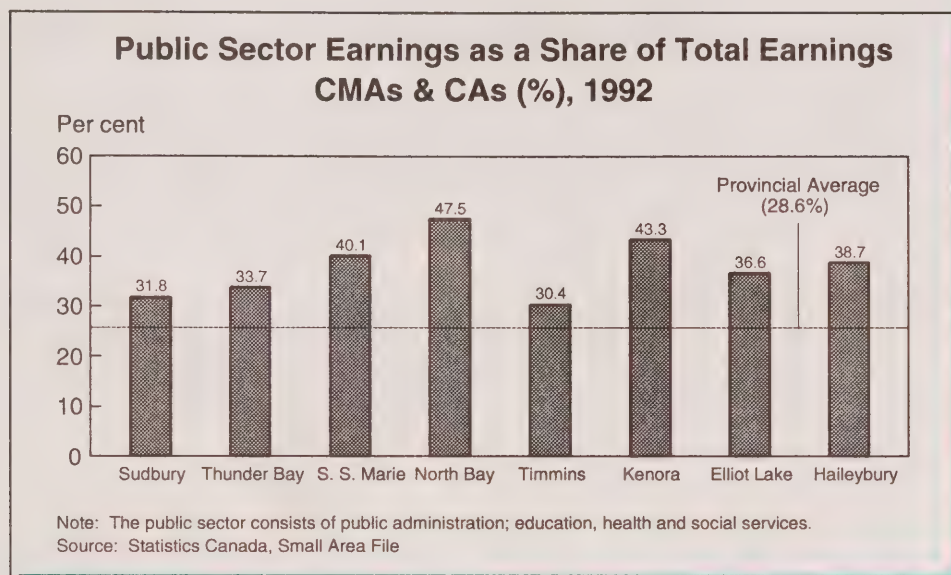
Employment in primary resource industries in the North declined about 38 per cent between 1989 and 1993. Much of the loss was in the mining sector, where employment fell by 53 per cent. Although the decline coincided with the recent recession, it represents a structural as well as a cyclical change.

⁷ Ministry of Northern Development and Mines, Mineral Score and Ontario Ministry of Finance.

Economic Structure of the North's CMAs and CAs Share of Total Earnings (%), 1992								
CMA/CA	Agr.	Primary & Mfg.	Constr.	Distrib. Serv.	Cons. Serv.	Bus. & Fin.	Health & Ed.	Public Admin.
Sudbury	*	29.7	6.1	11.7	14.5	6.2	19.6	12.1
Thunder Bay	0.4	18.5	7.9	15.6	17.2	6.7	20.1	13.6
Sault Ste. Marie	0.3	24.9	3.5	10.8	14.0	6.5	22.6	17.5
North Bay	0.6	11.3	4.9	16.0	13.1	6.7	23.7	23.7
Timmins	0.4	36.7	5.5	10.2	11.8	5.0	18.9	11.5
Kenora	0.7	18.0	5.3	13.8	13.7	5.3	21.7	21.6
Elliot Lake	0.3	39.0	2.0	4.2	11.2	6.6	24.8	11.9
Haileybury	1.1	11.9	9.2	18.7	13.6	6.8	26.4	12.3
Ontario	1.0	23.0	4.5	13.5	14.9	14.6	15.8	12.7
* Included in Primary & Mfg. Source: Statistics Canada, Small Area File.								

Most of Northeastern Ontario's iron ore and uranium operations have closed as ore bodies became depleted or production costs exceeded market prices. Only the Wawa iron ore mine and the Stanleigh uranium mine in Elliot Lake remain open, and the latter is due to close in 1996.

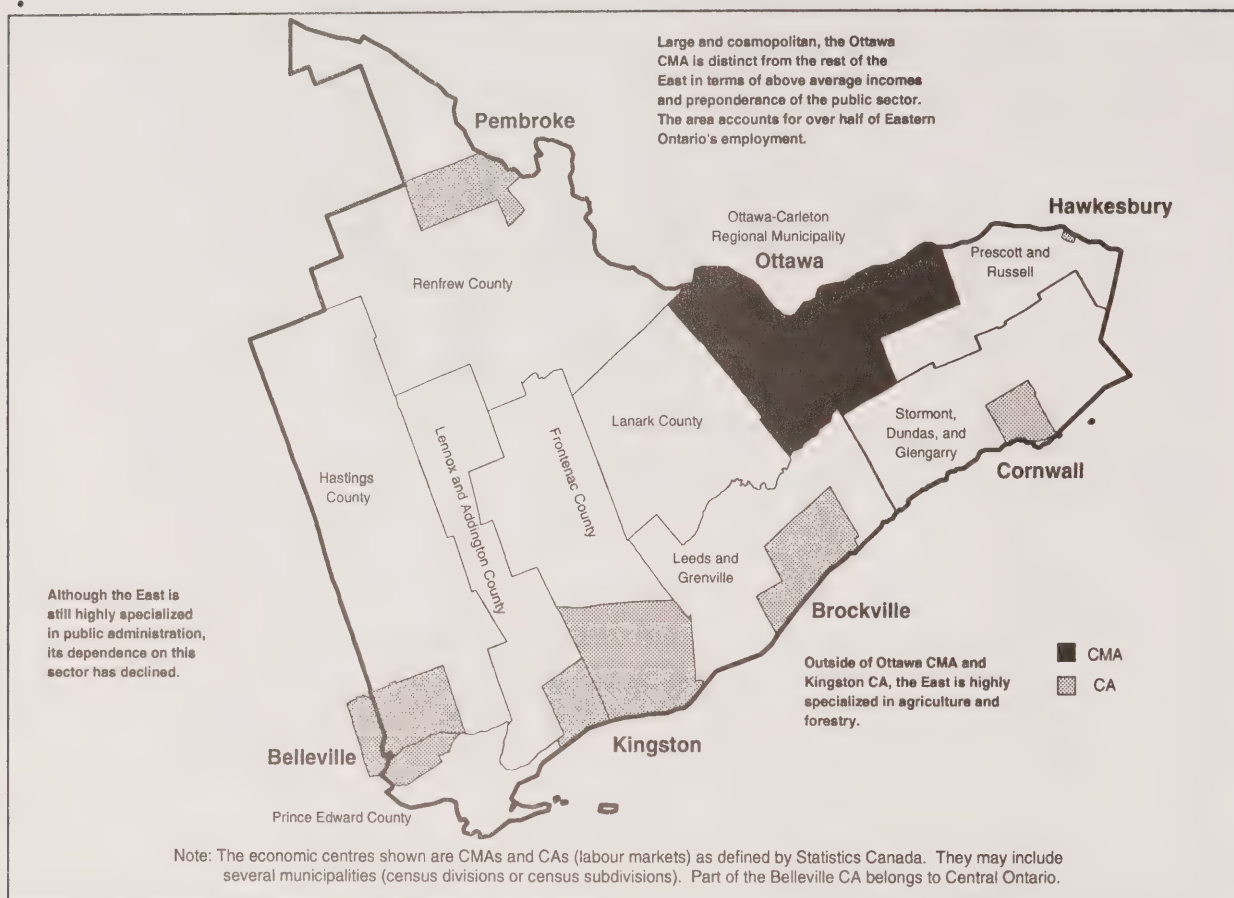
Employment in northern forest industries has climbed 14 per cent since 1991 in response to strong U.S. demand for lumber and panel boards, after falling 11 per cent between 1989 and 1991. The Province helped a number of sawmills to survive until their markets recovered.



During this period of adjustment, the Province made significant investments to help stabilize the northern economy and maintain jobs. The Government assisted in the employee buy-outs of Provincial Papers (Thunder Bay) and Algoma Steel (Sault Ste. Marie) and facilitated the buy-out of Spruce Falls Paper Company (Kapuskasing). The Province also continued to support the Municipal Economic Development Agency program, a **jobsOntario Community Action** initiative that helps to build capabilities in northern communities.

The growth of the public sector has helped stabilize employment in the North and maintain community spending levels when high-paying resource industry jobs were lost. The Northern Ontario Relocation Program supported the diversification of the regional economy by creating more than 1,700 government jobs in northern centres since 1986. The broader public sector continued to grow during the last three years. Recently, the Province announced approval for a French college in Sudbury.

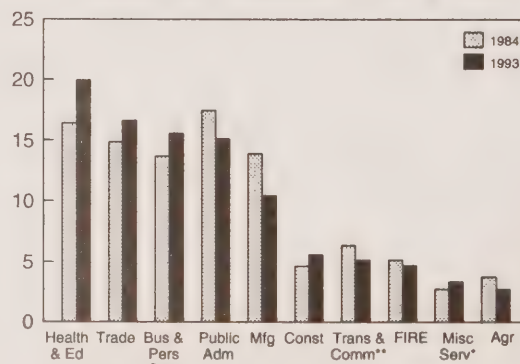
Eastern Ontario Region



High Tech Companies in Ottawa-Carleton Region

Bell Northern Research
 Northern Telecom
 Mitel Corporation
 Corel Corp.
 Digital Equipment of Canada
 Computing Devices Canada
 Spar Aerospace
 Canadian Marconi Company
 Newbridge Networks Corp.
 Telesat Canada
 Gandalf Technologies Inc.
 Cognos Inc.
 SHL Systemshouse Inc.

Eastern Ontario's Economic Structure Employment Shares (%), 1984 & 1993



* Uses 1985 and 1992 shares for Region 510.
 ** Shares are underestimated due to data unavailability.
 Note: Some sectors are not shown and shares may not add to 100 per cent due to data unavailability.
 FIRE is Finance, Insurance and Real Estate.
 Sources: Statistics Canada and Ontario Ministry of Finance.

The East

Eastern Ontario's economy is expanding. Employment levels have surpassed their pre-recession peaks. In the first ten months of 1994, Eastern Ontario's employment grew 2.7 per cent, compared to a loss of 0.6 per cent in the first ten months of 1993.

The Eastern economy is relatively stable, because its concentration of public sector employment moderates cyclical swings. The recession was shallower and shorter in Eastern Ontario than in the rest of the province. Employment declined 2.0 per cent from peak to trough, compared to 4.9 per cent for Ontario as a whole.

Although Eastern Ontario is expected to benefit from the current economic expansion, it will continue to face challenges due to public sector restraint, the comparatively low export orientation of much of its manufacturing sector, and relatively slow growth in its rural areas.

The Ottawa and Kingston economies are highly specialized in the broader public sector. Their economic structures are expected to continue to shift towards private sector service industries over the medium term. The Ottawa area is home to about 350 high-technology companies, whose primary niche is telecommunications. This high-tech cluster is expected to play a key role in the growth of Ottawa's economy over the next twenty years.

Economic Structure of the East's CMAs and CAs Share of Total Earnings (%), 1992								
CMA/CA	Agri. & Prim.	Manufac- turing	Constr.	Distrib. Serv.	Cons. Serv.	Bus. & Fin.	Health & Ed.	Public Admin-
Belleville	1.7	22.5	3.9	10.5	14.0	7.0	15.4	25.0
Brockville	1.9	29.2	3.4	11.6	11.0	7.1	16.5	19.2
Cornwall	1.2	26.1	5.3	9.9	13.1	6.7	23.0	14.7
Kingston	0.5	11.8	5.1	7.3	12.9	7.7	29.3	25.4
Ottawa	0.5	7.5	4.1	10.0	13.9	14.3	15.0	34.6
Ontario	2.4	21.6	4.5	13.5	14.9	14.6	15.8	12.7
Note: Data are not available for Hawkesbury and Pembroke due to confidentiality constraints.								
Source: Statistics Canada, Small Area file								

Eastern Ontario Employment Specialization*, 1991				
	The East	Ottawa-CMA	Kingston CA	Rest of the East
Agriculture	106	38	62	215
Logging & Forestry	94	44	22	184
Manufacturing	58	34	48	95
Communication & Other Utilities	109	131	71	86
Business Services	105	141	67	65
Educational Services	110	107	191	92
Health & Social Services	110	101	153	111
Public Administration	237	315	185	138
Broader Public Sector	153	175	175	115
<p>* Specialization is measured in this table by location quotients. A location quotient is defined as the local share of sector X, divided by the provincial economy's share of sector X, multiplied by 100. A score of 100 indicates that a region mirrors the provincial share of employment in that sector. A score above 100 indicates specialization in that sector; a score below 100 indicates under-representation in that sector.</p> <p>Source: Statistics Canada, Ontario Ministry of Finance.</p>				

Eastern Ontario's manufacturing sector accounts for a smaller share of the region's economy than in most other regions. In some of the region's economic centres though, it has a substantial presence – including Brockville, Belleville, Hawkesbury, and Cornwall. The economic expansion will benefit the manufacturing base of these communities.

Outside the main economic centres, the East is highly specialized in agriculture and forestry, as well as the public sector. Eastern Ontario supplies 30 per cent of Ontario's milk and 23 per cent of its beef. Its farms tend to be large relative to their production value. The forestry sector down-sized by almost 39 per cent between 1981 and 1991. Recently, wood products have experienced a worldwide increase in demand and price, which will enhance the medium-term prospects for this sector.

Central Ontario

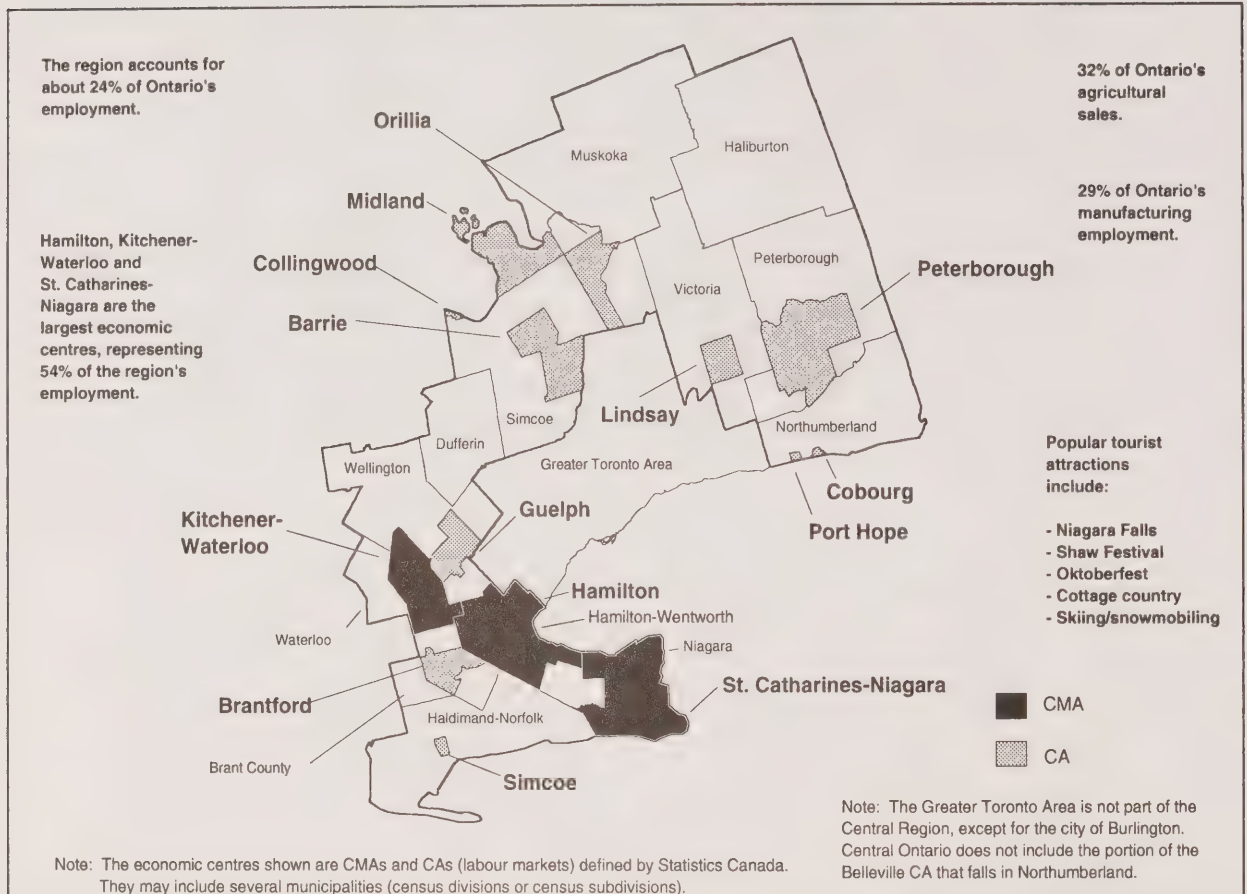
The outlook for Central Ontario is favourable over the short to medium-term. Employment is up 3.4 per cent in the first ten months of 1994 over the same period in 1993. Central Ontario will continue to benefit from its proximity and linkages to the Greater Toronto Area.

Kitchener-Waterloo is leading job creation among the region's large urban centres. It has gained 32,000 jobs since its employment trough in the first quarter of 1991. At 5.9 per cent, the area's unemployment rate is the second lowest in the country. A key part of the Technology Triangle, its strong performance is related to the presence of a cluster of technology-based industries, technology-oriented universities, and R&D facilities.⁸

Economic Structure of Central's CMAs and CAs Share of Total Earnings (1992, %)								
CMA/CA	Agri. & Prim.	Mfg.	Constr.	Dist. Serv.	Con. Serv.	Bus. & Fin.	Health & Educ.	Public Admin
Hamilton	1.4	27.4	4.7	11.8	15.7	10.8	17.7	10.6
St. Catharines/ Niagara	2.2	32.1	4.8	11.0	14.8	8.6	17.8	8.8
Kitchener/ Waterloo	1.1	32.9	5.4	11.2	12.4	12.3	18.7	5.9
Guelph	2.3	31.9	4.1	6.9	13.5	9.6	24.7	6.9
Simcoe	9.2	20.2	3.5	15.2	13.2	4.7	23.8	10.2
Brantford	1.4	34.7	3.7	10.1	15.1	8.0	18.2	8.9
Barrie	1.1	17.5	4.4	15.9	15.3	10.9	20.3	14.5
Collingwood	1.3	19.2	5.0	5.7	30.9	8.6	21.3	8.0
Cobourg	0.8	37.7	3.4	7.9	11.9	6.0	19.1	13.0
Peterborough	1.4	22.8	3.8	14.6	15.4	8.2	24.1	9.6
Midland	1.0	24.4	3.5	16.6	12.0	4.2	16.3	22.1
Orillia	1.4	15.0	4.2	10.3	16.1	7.2	17.6	28.2
Ontario	2.4	21.6	4.5	13.5	14.9	14.6	15.8	12.7
Note: Data not available for Port Hope and Lindsay.								
Source: Statistics Canada, Small Area File.								

⁸ The "Technology Triangle" consists of the cities of Kitchener, Waterloo, Cambridge and Guelph.

Central Ontario Region



Key Features

Strong manufacturing base

Tourism & leisure centre

Strong linkages to Greater Toronto Area

Agriculture a mainstay

Central Ontario's Economic Structure Employment Shares (%), 1984 & 1993



* Share may be underestimated due to data unavailability.

** Uses 1985 shares for Region 520 in 1984.

Note: Some sectors are not shown and shares may not add to 100 per cent due to data unavailability.

FIRE is Finance, Insurance and Real Estate.

Sources: Statistics Canada and Ontario Ministry of Finance

Hamilton is the region's largest economic centre, with one-quarter of employment and almost 30 per cent of payroll. It accounts for close to 40 per cent of Ontario's total employment in the steel industry. Output in the steel industry is expected to rise as a result of the gains in Ontario's auto industry and the upswing in U.S. manufacturing. Hamilton's economy is expected to continue to diversify, building on its growing specialization in fields such as the health and environmental industries. The Institute for Scientific Information, for example, ranks McMaster University second in the world for heart and lung research.

St. Catharines-Niagara accounts for 12 per cent of the region's employment and 16 per cent of its payroll. The auto industry provides close to 30 per cent of its manufacturing employment. Tourism is also an important industry. Nearly half of international visitors enter Ontario through Niagara. The Niagara Gateway project will bring together a variety of tourist services and attractions under one roof in Niagara Falls, aiming to encourage tourists to lengthen their visits. The Government is inviting proposals from potential developers.

Barrie and Midland are two of the fastest growing economic centres in the province. Barrie's population increased 33 per cent between 1986 and 1991. Barrie's appeal is based on its proximity to the Greater Toronto Area and lower cost of living. Its growth is expected to continue, although at a slower pace over the medium term. Over the same period, Midland's population grew 14 per cent. Between 1989 and 1992, its payroll increased 18 per cent, more than five times the provincial average. Midland is the site of the Industrial Research and Development Institute, which provides expertise in tool, die and mould making.

The auto industry is important throughout the region. Thirty per cent of provincial auto employment is in the Central region. The auto parts industry was disproportionately affected by the recession and restructuring pressures – one reason why manufacturing employment in the region in 1993 was only 78 per cent of its peak level in 1989. Owing to the strong demand for vehicles, the outlook for auto assemblers and parts manufacturers is positive. Central Ontario is attracting auto-related investments such as the recently announced Toyota expansion in Cambridge.

Tourism is an important sector in Central Ontario, not only because of Niagara Falls, but also because of its accessibility from the Greater Toronto Area. Nearly 60 per cent of the cottages in Ontario are located in Haliburton, Muskoka, Peterborough, Simcoe and Victoria.⁹ Tourism in the region will benefit from the economic expansion and from a lower Canadian dollar that tends to keep spending "at home".

Agriculture is one of the region's mainstays. It provides almost a third of total provincial agricultural employment. The region's well-integrated agriculture and food processing industries are responding to increased competition. Ontario's \$15 million funding of the Guelph Food Technology Centre will help the food processing industry to develop new technologies and products.

Provincial relocation will increase public sector employment in Central Ontario. The Ministry of Culture, Tourism and Recreation is moving to Niagara Falls, the Ministry of Transportation to St. Catharines, the Ministry of Agriculture, Food and Rural Affairs to Guelph, and the Ministry of Natural Resources to Peterborough. The Ontario Provincial Police headquarters is now in Orillia.

⁹ Federation of Ontario Cottagers' Associations. The data counts members of cottagers' associations rather than cottage units.

The Greater Toronto Area

The GTA's economy¹⁰ will gain momentum in 1995 and grow solidly during the forecast period. Growth rates are forecast to exceed the provincial average.

Short-term indicators in the GTA are improving. Although current employment levels are still below those of a year ago, the region gained 32,000 jobs between the first quarter and the third quarter. The unemployment rate was 10.4 per cent in October, down over one per cent from a year earlier, but still above the provincial average.¹¹

Residential sales (new and resale) were 30 per cent higher in the first nine months of 1994 than in the first nine months of 1993. Resale housing prices have stabilized after declines of roughly 8 per cent every year from 1990 to 1992.

Industrial and commercial indicators are also stabilizing or improving. Industrial vacancy rates declined from a peak of 12 per cent in 1991 to just over 10 per cent in 1993. Office vacancy rates remain high but have declined slightly recently.

Growth in the GTA's "complex of corporate activities" – head offices, financial services and specialized business services – is expected to help return the GTA to robust performance. Financial and business services are expected to show strong output growth and moderate employment growth over the medium term. Service exports will grow rapidly. A recent Fortune survey of 60 cities ranked Toronto as the seventh best place in the world for conducting business.

¹⁰ The GTA consists of the Regional Municipalities of Durham, York, Metropolitan Toronto, Peel and Halton. It is reasonably similar to the labour market areas of Toronto and Oshawa (i.e., the Census Metropolitan Areas) in 1991 as defined by Statistics Canada. The GTA differs from the combined CMAs of Toronto and Oshawa in that it includes Burlington, Brock Township and Scugog Township, but excludes Alliston, Beeton, Orangeville, Tecumseth, Tottenham, Bradford and West Gwillimbury.

¹¹ The job gain is for labour force survey region 530, which is the GTA excluding Burlington. The unemployment rate is for the combined Toronto and Oshawa CMAs based on the Labour Force Survey, which uses 1981 census boundaries.

Distinctive Features of the GTA's Economy

Head Offices. Nearly 40 per cent of the largest 500 companies in Canada are headquartered in Toronto. A survey of senior executives of U.S.-based international corporations ranked Toronto the fifth most desirable location in the world for corporate headquarters, after Singapore, London, New York and Washington.

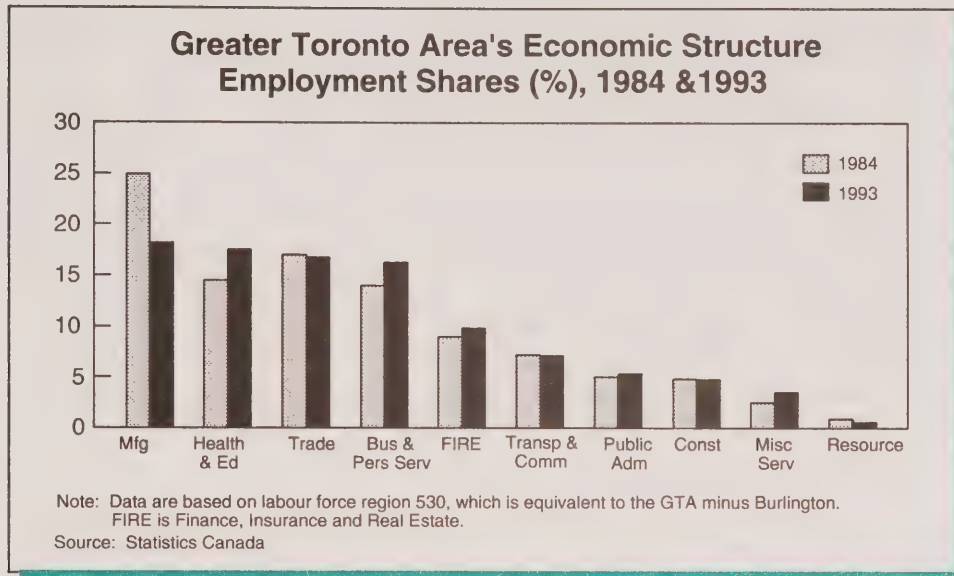
Specialized Financial & Business Services. The GTA is the headquarters for most of Canada's largest investment houses, banks, pension funds and trust companies. It is also headquarters to more than 80 per cent of the nation's largest legal, human resource, advertising and public accounting firms. Over half of the province's financial sector employees are located in the GTA. The Toronto Stock Exchange is the tenth largest exchange in the world in value of equity trading and is second only to New York in North America.

Automotive and High-Technology Manufacturing. The U.S. Big Three auto manufacturers all have major manufacturing facilities in the GTA. Six of the top ten high-technology companies in Canada are headquartered in Toronto. The GTA has significant clusters of high-technology firms, including concentrations in Mississauga and Markham.

Cultural, Entertainment and Spectator Sports Centre. The GTA generates about three-quarters of Ontario's cultural sector revenues and about a third of Canada's. Sometimes referred to as "Hollywood North", the GTA has developed the third largest film and television production industry in North America, surpassed only by Los Angeles and New York. As a theatre centre, it ranks behind only London and New York in the world. It is able to attract and generate major Broadway productions, exclusive art exhibitions (such as the Barnes Exhibit), and international film festivals.

Specialized Health and Education Infrastructure. The GTA's diverse high-order economy is supported by three universities, eight teaching and specialty hospitals, and a network of community colleges. The University of Toronto's Faculty of Medicine is Canada's largest medical school and the second largest in North America.

International and National Transportation and Communication Hub. Pearson International Airport is the twenty-third busiest airport in the world and the tenth busiest in terms of international travel. Business travellers rate it second best among 12 transatlantic gateway airports. Toronto's mass transit system is the most highly regarded in North America. The 400 system of provincial highways and the GTA's rail and port services connect its economy to major markets and suppliers. The GTA's telecommunication networks are highly sophisticated with the largest free calling area in the world and the highest per capita cellular phone use in North America.



The broadly-based North American expansion currently under way and the accompanying growth in demand will stimulate growth in head office, financial and business service functions in the GTA. A lower Canadian dollar and favourable inflation rates have improved the attractiveness of the GTA relative to the U.S. Industrial rents have declined about 25 per cent since 1989 and current office rents are only about a third of their previous peak.

Automotive and business equipment manufacturing industries in the GTA are experiencing a strong cyclical expansion. Both are making strong export gains.

The GTA's cultural and entertainment industries are becoming increasingly international in scope and will expand over the medium term.

Even with public sector restraint, key parts of the GTA's highly specialized health and education sectors are expected to expand. In addition, because the GTA is forecast to attract a disproportionate share of provincial population growth, its health and education sectors will grow faster than the provincial average.

The GTA plays a key role as a distribution centre. Its transportation and communications sectors are expected to perform well during the expansion. Trade growth is forecast to

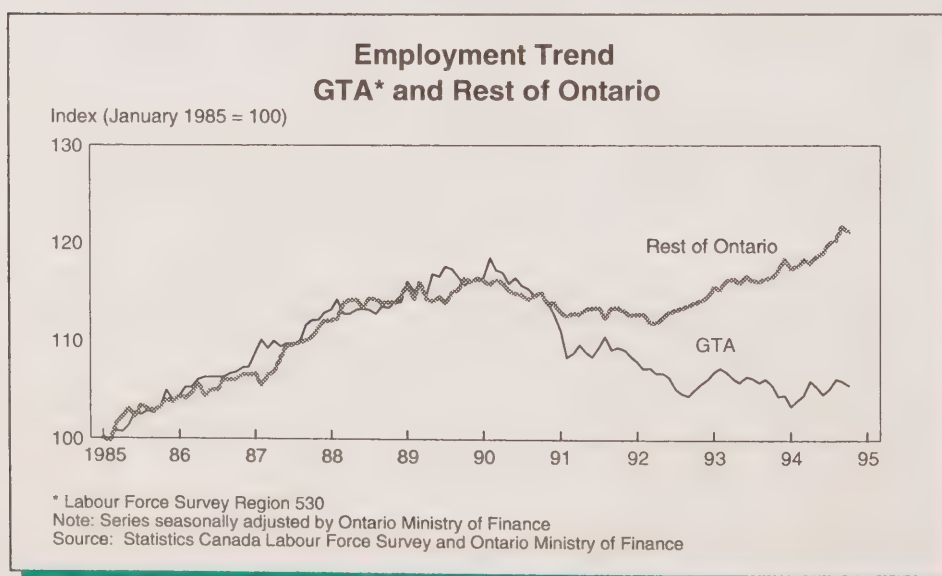
1994 ONTARIO ECONOMIC OUTLOOK

exceed output growth by a substantial margin and several major infrastructure investments will come on stream. These developments will benefit the transportation and communication sectors.

Although its outlook is now improving, the GTA was hit much harder by the recession than any other region in Ontario. As the chart indicates, the GTA's recovery has lagged the rest of the province. Prior to the recession, the GTA generally led the province in employment growth. Because of its diversity and high concentration of services, unemployment rates have been consistently lower than in most other major communities in Ontario.

The unusually poor economic performance of the GTA during the 1990s recession can be attributed to two main factors: a speculative bubble and subsequent asset price deflation, and the simultaneous restructuring of important sectors.

In the latter part of the 1980s, the GTA experienced a major escalation in real estate prices and construction activity. By 1989, average resale house prices were more than two and half times their 1983 levels. Real estate prices in the GTA began to drop steeply in 1990 at a rate not seen since the 1930s. The bursting of the real estate bubble also occurred in other major centres around the world, including New York, London and Tokyo.



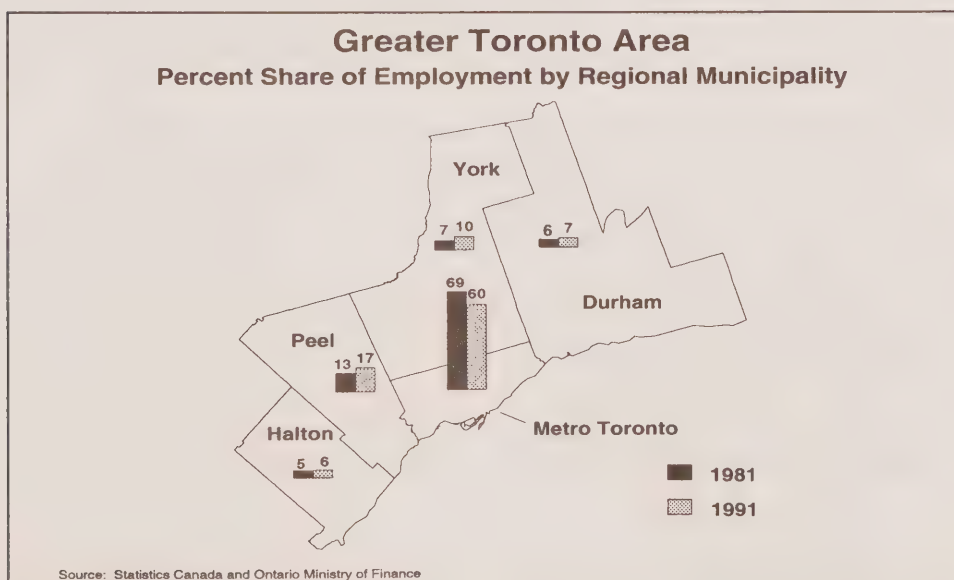
COMMUNITY AND REGIONAL OUTLOOK

The over-building and subsequent price declines had several effects. It created an over-supply in commercial office markets. Construction activity declined dramatically. The real estate development industry experienced severe financial pressure. Instability and takeovers affected some financial institutions with large real estate investment holdings. Consumer confidence declined due to the fall in residential property values.

At the same time, key sectors of the GTA's economy were restructuring. Manufacturing employment in the GTA grew after the 1981-83 recession until it reached a peak in 1987. Between 1987 and 1993 this sector lost 121,000 jobs. Employment in the financial sector peaked in 1990 and then declined by 12,000 jobs in the next two years. The construction sector lost 46,000 jobs between 1989 and 1993.

Within the GTA, the outlying regions have been growing faster than Metro Toronto. Metro's share of the GTA's employment has declined from about 70 per cent in 1981 to 60 per cent in 1991. York and Peel experienced particularly dramatic growth with employment increases of almost 60 per cent between 1981 and 1991.

The economic roles of the regions within the GTA are shifting. In the regions surrounding Metro, growth nodes are continuing to



expand rapidly in a range of sectors. Metro is continuing to develop a highly specialized service economy increasingly built around major corporate head offices, business and financial services and cultural industries.

The Government has recognized the challenges facing the GTA and is working with various partners to accelerate job growth. Examples of Provincial initiatives include:

- Major infrastructure investments, notably Highway 407 and the Sheppard and Eglinton subways. Like specialized business services, highly developed infrastructure "greases" the wheels of the national and provincial economies, facilitating the transfer of goods and services, exchange of information, capital flows and other business transactions.
- Elimination of the commercial concentration tax, which has contributed to cost reduction in the GTA.
- Support for the development of the West Toronto Downtown Lands – the area bounded by Yonge Street, Exhibition Place, Queen Street and Lake Ontario – which presents opportunities for economic development and job creation in sectors such as tourism, culture and entertainment. Several key projects are already approved or under way: expansion of the Metro Toronto Convention Centre, development of the National Trade Centre (under the Canada-Ontario Infrastructure Works program), and redevelopment of the Ontario Place Forum.
- Support for balanced development in the Northeast GTA (which includes sections of Scarborough, York Region and Durham). The new community of Cornell, which is in the early stages of an expected 20-year development program, will help meet housing needs for the area's growing population; the Rouge Park will protect the area's sensitive environment and provide recreational opportunities; an agricultural preserve will secure important farm lands and operations; and transportation improvements will facilitate economic linkages throughout the GTA.

VI: Growth Through Partnership

The Ontario economy is growing at its fastest pace in six years. In fact, most forecasters anticipate that Ontario's rate of growth will outpace all G-7 nations over the next four years. Most importantly, the Ontario economy is generating jobs at a pace not seen since the rapid job growth of the mid-1980s.

The fundamental strengths of Ontario's economy are impressive. Ontario's advanced economy is open, diversified and supported by a sophisticated institutional, technological and physical infrastructure. The Province's highly-skilled, flexible and productive labour force will ensure that the economy will continue to produce the wealth that has allowed us to enjoy one of the highest standards of living in the world.

Foundations for Growth

The Government has contributed to this economic resurgence through an approach that has involved partnerships with other groups, communities, and institutions in Ontario. Through this cooperative approach, the government has also maintained its focus on three interrelated and complementary objectives:

■ *Investing in jobs*

By working with employers and employees, the Government is helping to put people back to work. Concrete measures such as the "first-year-EHT-free" tax cut for new hires and sharing the cost of training new employees under **jobsOntario Training** are reducing the costs of job creation. Employers have responded by hiring 137,000 new workers in the first nine months of 1994 and are expected to add 570,000 net new jobs by 1998.

■ *Maintaining and improving the high quality of public sector services*

By working with hospitals, schools boards, post-secondary institutions, municipalities, social service and other agencies, the Government is finding better ways of providing high

quality, affordable public services. The Government is also investing about \$4 billion a year in strategic infrastructure programs which create jobs and raise the competitiveness of Ontario businesses.

■ *Reducing and gradually eliminating the Government's operating deficit*

Through a tough but achievable fiscal plan, the Government has also succeeded in balancing its priorities of job creation and maintaining public services with deficit reduction. In 1994-95, the deficit will fall to \$8.3 billion, down from its level of \$12.4 billion in 1992-93. The operating budget will be balanced by 1998.

Investing in jobs is crucial to support economic growth while a growing economy is needed to generate the tax revenues required to provide the services Ontarians value. As well, public services such as health and education are essential ingredients for long-term economic growth. But the growing debt means that interest costs are diverting money away from public services and job creation. As a result, responsible and balanced fiscal policies are essential to maintain private sector confidence, investment and job creation.

Addressing the Challenges that Remain

Effective economic management to create jobs, maintain services and reduce the deficit is no less necessary now than during the recession. The current economic recovery is providing new opportunities for partnership and growth that will help to build a stronger, more dynamic economy and society in Ontario.

The government will:

- continue to support job creation while ensuring that the benefits of economic growth reach all workers, including youth and the long-term unemployed;
- help social assistance recipients to participate and contribute to Ontario to their full potential;

- address the issues related to the growth in non-standard employment, part-time work and the uneven distribution of overtime hours;
- ensure that high levels of investment in worker training are maintained;
- help individuals, firms and communities adjust to the dramatic shifts in the economy which include among others:
 - accelerating technological change and the rise of the information economy;
 - global economic integration spurred through dramatic technological advances and the liberalization of international trade and investment;
 - greater international competition, and continuing structural change.
- ensure that all economic growth is environmentally sustainable;
- promote Ontario's concerns and interests in a way that ensures fair treatment by the federal government;
- manage government finances so that the deficit will continue to decline.

To successfully meet these challenges, the government must work in cooperation with business and labour groups, communities, institutions, and individuals in Ontario. By working together we will be able to better address the needs of today and improve the effectiveness of our investments for tomorrow.

Examples of Successful Partnerships in Ontario

The Government's policies and programs rely on cooperation with other key partners. Initiatives based on this approach include:

- the *Ontario Training and Adjustment Board* which provides a framework for building workforce skills through a partnership between the government, workers, business and communities;
- **jobsOntario Training** which assists the long-term unemployed and social assistance recipients to re-enter the job market through job placement and training developed by a partnership of business and government;
- **jobsOntario Capital** which supports strategic infrastructure investments that help bring about economic recovery and job creation through new, innovative partnerships;
- **jobsOntario Community Action** which assists communities to identify local economic development priorities, encourages local financing of small businesses and supports local capital projects;
- **jobsOntario Homes** which assists community-based, non-profit housing groups to provide affordable housing units built by the private-sector;
- the *Sector Partnership Fund* which supports the development of sector strategies through a cooperative, partnership approach with sector firms and workers;
- the *Ontario Lead Investment Fund* which provides new capital for innovative growth firms. These lead investment corporations are being created by several financial institutions in partnership with the Government to invest in knowledge-based growth companies;
- the *Ontario Innovation and Productivity Service* which is providing strategic business assessments and action plans for innovative growth firms;
- Technology Ontario's *Centres of Excellence* which encourage the adoption and diffusion of new technologies by Ontario businesses through partnerships with Ontario university researchers;
- the *Technology Adjustment Research Program* funded by Technology Ontario is assisting the Ontario trade union movement in innovative responses to technological change in the workplace.

Data Appendix

List of Tables

Table 1	The Ontario Economy, 1993-1998
Table 2	The Ontario Economy, 1993-1998
Table 3	Ontario, Gross Domestic Product, 1981-1993
Table 4	Ontario, Growth in Gross Domestic Product, 1981-1993
Table 5	Canada, Gross Domestic Product, 1981-1993
Table 6	Canada, Growth in Gross Domestic Product, 1981-1993
Table 7	Ontario, Selected Economic Indicators, 1981-1993
Table 8	Ontario, Growth in Economic Indicators, 1981-1993
Table 9	Canada, Selected Economic Indicators, 1981-1993
Table 10	Canada, Growth in Economic Indicators, 1981-1993
Table 11	Ontario, Gross Domestic Product by Industry, 1984-1993
Table 12	Ontario, Growth in Gross Domestic Product by Industry, 1985-1993
Table 13	Ontario, Gross Domestic Product by Sector & Selected Industries
Table 14	Canada, Gross Domestic Product by Industry, 1984-1993
Table 15	Canada, Growth in Gross Domestic Product by Industry, 1985-1993
Table 16	Ontario and the G-7, Real GDP Growth, 1981-1993
Table 17	Ontario and the G-7, Employment Growth, 1981-1993
Table 18	Ontario and the G-7, Unemployment Rates, 1981-1993
Table 19	Ontario and the G-7, CPI Inflation Rates, 1981-1993
Table 20	Ontario and Canada, International Merchandise Trade, 1981-1993
Table 21	Ontario, International Merchandise Exports by Selected Sectors & Industries
Table 22	Ontario, International Exports by Major Commodity, 1993
Table 23	Ontario, International Imports by Major Commodity, 1993
Table 24	Ontario, International Trade by Major Region, 1993
Table 25	Canada, International Trade by Major Region, 1993
Table 26	Canada, Selected Financial Indicators, 1981-1993
Table 27	G-7, Exchange Rates, 1981-1993
Table 28	Ontario, Selected Demographic Characteristics, 1971-2021
Table 29	Ontario, Components of Population Growth, 1982/83-1993/94
Table 30	Ontario, Labour Force, 1981-1994
Table 31	Ontario, Employment, 1981-1994
Table 32	Ontario, Unemployment, 1981-1994
Table 33	Ontario, Unemployment Insurance and Social Assistance, 1981-1994
Table 34	Ontario, Major Layoffs & Strikes and Lockouts, 1981-1994
Table 35	Ontario, Labour Compensation, 1981-1994
Table 36	Ontario, Employment by Occupation, 1981-1993
Table 37	Ontario, Distribution of Employment by Occupation, 1981-1993
Table 38	Ontario, Employment by Sector & Selected Industries
Table 39	Ontario, Population by Selected Area, 1991
Table 40	Ontario, Location Quotients by Industry, 1991
Table 41	Ontario, Composition of Total Income, 1990
Table 42	Ontario, Share of Payroll by Industry, 1992
Table 43	Ontario, Employment by Labour Force Regions, 1984-1994
Table 44	Ontario, Employment by Industry, 1993

Economic Region by Census Division
Ontario Labour Force Survey Regions

Table 1 **The Ontario Economy, 1993-1998**

	(billions of dollars)					
	1993	1994	1995	1996	1997	1998
Real Gross Domestic Product (\$1986)	223.5	233.6	243.5	254.5	265.7	276.1
Consumption	134.3	138.4	142.8	147.8	152.8	157.5
Government	49.7	49.3	49.0	48.8	48.7	48.6
Residential Construction	10.7	11.3	12.3	13.5	14.5	15.4
Non-Residential Construction	4.9	4.4	4.6	4.8	5.1	5.5
Machinery and Equipment	23.1	27.2	30.5	33.0	35.4	38.0
Exports	158.3	176.1	187.9	197.8	207.9	216.7
Imports	157.6	173.6	184.2	193.5	203.0	211.2
Nominal Gross Domestic Product	283.1	296.7	313.4	332.7	353.3	373.7
Other Economic Indicators						
Retail Sales*	71.3	76.0	79.9	84.2	88.5	92.9
Housing Starts - Units (000s)	45.1	48.0	54.0	68.0	75.0	78.0
Personal Income	252.2	258.5	270.1	283.4	297.8	312.3
Pre-Tax Corporate Profits	17.4	26.0	31.3	36.7	42.2	46.4
Consumer Price Index (1986=100)						
Canada	130.4	130.7	132.5	134.6	136.9	139.4
Ontario	131.2	131.3	133.0	135.0	137.3	139.8
Labour Markets						
Labour Force (000s)	5,362	5,380	5,498	5,640	5,765	5,884
Employment (000s)	4,793	4,857	5,004	5,151	5,288	5,427
Unemployment Rate (%)	10.6	9.7	9.0	8.7	8.3	7.8

* GST excluded.

Sources: Statistics Canada and Ontario Ministry of Finance

1994 ONTARIO ECONOMIC OUTLOOK

Table 2

The Ontario Economy, 1993-1998

	(per cent change)					
	1993	1994	1995	1996	1997	1998
Real Gross Domestic Product	2.1	4.5	4.2	4.5	4.4	3.9
Consumption	1.5	3.1	3.2	3.5	3.4	3.1
Government	-0.7	-0.8	-0.5	-0.5	-0.2	-0.2
Residential Construction	-10.1	6.2	8.4	10.2	7.0	6.6
Non-Residential Construction	-35.4	-10.3	4.8	5.4	6.1	6.1
Machinery and Equipment	13.0	17.9	12.3	8.0	7.4	7.3
Exports	7.9	11.2	6.7	5.3	5.1	4.2
Imports	6.1	10.1	6.1	5.1	4.9	4.0
Nominal Gross Domestic Product	2.6	4.8	5.6	6.2	6.2	5.8
Other Economic Indicators						
Retail Sales*	3.8	6.5	5.2	5.4	5.1	4.9
Housing Starts	-19.1	6.3	12.5	25.9	10.3	4.0
Personal Income	1.7	2.5	4.5	4.9	5.1	4.9
Pre-Tax Corporate Profits	13.9	49.7	20.3	17.0	15.0	10.0
Consumer Price Index						
Canada	1.8	0.2	1.4	1.6	1.7	1.8
Ontario	1.7	0.1	1.3	1.5	1.7	1.8
Labour Markets						
Labour Force	1.4	0.3	2.2	2.6	2.2	2.1
Employment	1.7	1.3	3.0	2.9	2.7	2.6
Unemployment Rate (%)	...	...	...	...	...	...

* GST excluded.

... Figures not appropriate or not applicable.

Sources: Statistics Canada and Ontario Ministry of Finance

Table 3 **Ontario, Gross Domestic Product, 1981-1993**

	(billions of dollars)						
	1981	1982	1983	1984	1985	1986	1987
Real Gross Domestic Product (\$1986)	165.5	158.9	166.1	181.3	191.0	202.7	211.9
Consumption	95.6	93.6	97.8	102.9	108.9	115.0	121.2
Government	34.5	35.9	36.0	37.2	38.9	38.9	40.8
Residential Construction	8.9	7.6	9.5	10.3	11.5	13.2	15.1
Non-Residential Construction	6.6	6.2	5.6	6.5	7.3	8.3	9.3
Machinery and Equipment	10.6	9.1	9.7	10.3	12.2	15.3	17.3
Exports	88.4	84.6	89.6	106.3	112.9	119.1	121.0
Imports	79.5	73.1	81.5	95.5	102.9	108.5	115.4
Nominal Gross Domestic Product	129.3	135.1	149.5	168.9	183.7	202.7	223.9

Table 3 (continued)

	(billions of dollars)					
	1988	1989	1990	1991	1992	1993
Real Gross Domestic Product (\$1986)	226.1	231.0	224.1	217.7	218.9	223.5
Consumption	127.7	132.5	132.7	130.6	132.2	134.3
Government	43.1	45.2	47.6	49.9	50.0	49.7
Residential Construction	15.8	17.3	13.5	11.7	11.9	10.7
Non-Residential Construction	10.3	11.1	10.2	9.7	7.6	4.9
Machinery and Equipment	20.1	20.5	19.5	20.3	20.4	23.1
Exports	135.4	136.6	141.5	136.8	146.6	158.3
Imports	129.4	133.9	139.3	139.3	148.6	157.6
Nominal Gross Domestic Product	252.9	273.1	272.8	272.1	275.9	283.1

Sources: Statistics Canada and Ontario Ministry of Finance

1994 ONTARIO ECONOMIC OUTLOOK

Table 4 **Ontario, Growth in Gross Domestic Product, 1981-1993**

	(per cent change)						
	1981	1982	1983	1984	1985	1986	1987
Real Gross Domestic Product (\$1986)	3.0	-4.0	4.5	9.2	5.3	6.1	4.5
Consumption	2.2	-2.1	4.5	5.3	5.8	5.5	5.4
Government	0.8	4.2	0.3	3.2	4.5	0.1	4.9
Residential Construction	9.3	-13.9	25.2	7.4	11.7	15.3	14.4
Non-Residential Construction	5.7	-7.0	-8.3	15.9	11.7	13.8	11.8
Machinery and Equipment	21.4	-13.9	6.0	6.1	19.2	25.1	13.0
Exports	2.5	-4.4	5.9	18.6	6.2	5.5	1.6
Imports	6.2	-8.0	11.4	17.2	7.7	5.4	6.4
Nominal Gross Domestic Product	12.5	4.5	10.6	13.0	8.8	10.3	10.4

Table 4 (continued)

	(per cent change)					
	1988	1989	1990	1991	1992	1993
Real Gross Domestic Product (\$1986)	6.7	2.2	-3.0	-2.9	0.5	2.1
Consumption	5.4	3.8	0.1	-1.6	1.3	1.5
Government	5.5	5.0	5.3	4.8	0.3	-0.7
Residential Construction	4.5	9.4	-21.8	-13.5	1.6	-10.1
Non-Residential Construction	10.5	8.0	-7.9	-4.7	-22.2	-35.4
Machinery and Equipment	16.6	1.9	-4.8	4.1	0.5	13.0
Exports	11.9	0.9	3.6	-3.3	7.2	7.9
Imports	12.2	3.5	4.0	-0.0	6.7	6.1
Nominal Gross Domestic Product	13.0	8.0	-0.1	-0.2	1.4	2.6

Sources: Statistics Canada and Ontario Ministry of Finance

Table 5 **Canada, Gross Domestic Product, 1981-1993**

	(billions of dollars)						
	1981	1982	1983	1984	1985	1986	1987
Real Gross Domestic Product (\$1986)	440.1	426.0	439.4	467.2	489.4	505.7	526.7
Consumption	270.9	250.3	258.9	270.9	284.9	297.5	310.5
Government	101.7	104.3	105.2	107.1	111.4	112.7	114.7
Residential Construction	25.2	21.0	24.6	24.8	27.2	30.8	35.8
Non-Residential Construction	31.5	28.7	26.3	25.8	27.1	25.6	26.4
Machinery and Equipment	29.4	25.3	24.2	25.6	28.7	32.6	37.5
Exports	101.9	99.6	106.0	124.8	132.2	138.1	142.9
Imports	105.3	89.3	97.4	114.1	123.9	133.4	142.7
Nominal Gross Domestic Product	356.0	374.4	405.7	444.7	478.0	505.7	551.6

Table 5 (continued)

	(billions of dollars)					
	1988	1989	1990	1991	1992	1993
Real Gross Domestic Product (\$1986)	553.0	566.5	565.2	554.7	558.2	570.5
Consumption	324.3	335.3	338.7	333.8	338.2	343.7
Government	119.4	124.8	129.4	133.3	134.6	135.9
Residential Construction	36.9	38.6	34.9	30.5	32.9	31.4
Non-Residential Construction	29.3	30.8	31.0	30.1	25.3	22.9
Machinery and Equipment	44.6	47.7	45.6	47.3	46.4	49.3
Exports	156.5	157.8	164.3	166.0	178.8	197.4
Imports	162.4	172.6	176.0	181.4	192.1	209.0
Nominal Gross Domestic Product	605.9	650.7	669.5	674.8	688.4	711.7

Source: Statistics Canada

1994 ONTARIO ECONOMIC OUTLOOK

Table 6 **Canada, Growth in Gross Domestic Product, 1981-1993**

	(per cent change)						
	1981	1982	1983	1984	1985	1986	1987
Real Gross Domestic Product (\$1986)	3.7	-3.2	3.2	6.3	4.8	3.3	4.2
Consumption	2.3	-2.6	3.4	4.6	5.2	4.4	4.4
Government	2.7	2.5	0.9	1.8	4.0	1.2	1.8
Residential Construction	6.6	-16.3	17.0	0.5	9.8	13.3	16.4
Non-Residential Construction	8.6	-9.0	-8.5	-1.8	5.2	-5.5	3.0
Machinery and Equipment	18.1	-14.0	-4.1	5.5	12.3	13.5	15.0
Exports	4.4	-2.2	6.4	17.7	6.0	4.5	3.5
Imports	8.5	-15.2	9.0	17.1	8.7	7.6	7.0
Nominal Gross Domestic Product	14.9	5.2	8.4	9.6	7.5	5.8	9.1

Table 6 (continued)

	(per cent change)					
	1988	1989	1990	1991	1992	1993
Real Gross Domestic Product (\$1986)	5.0	2.4	-0.2	-1.8	0.6	2.2
Consumption	4.5	3.4	1.0	-1.5	1.3	1.6
Government	4.1	4.6	3.6	3.0	1.0	1.0
Residential Construction	2.8	4.8	-9.7	-12.5	7.9	-4.4
Non-Residential Construction	11.0	5.3	0.5	-2.8	-16.2	-9.3
Machinery and Equipment	19.2	6.8	-4.3	3.8	-2.0	6.2
Exports	9.5	0.8	4.1	1.0	7.7	10.4
Imports	13.8	6.3	2.0	3.1	5.9	8.8
Nominal Gross Domestic Product	9.8	7.4	2.9	0.8	2.0	3.4

Source: Statistics Canada

Table 7 **Ontario, Selected Economic Indicators, 1981-1993**

	1981	1982	1983	1984	1985	1986	1987
Retail Sales* (\$ billions)	36.8	38.8	43.1	47.6	53.7	58.6	64.7
Housing Starts - Units (000s)	50.2	38.5	54.9	48.2	64.9	81.5	105.2
Personal Income (\$ billions)	108.1	121.1	131.0	144.4	156.4	169.3	186.1
Pre-Tax Corporate Profits (\$ billions)	14.2	8.9	13.6	17.7	19.1	21.3	25.0
Consumer Price Index (1986 = 100)	74.6	82.6	87.7	92.0	95.8	100.0	105.1
Labour Force (000s)	4,463	4,502	4,561	4,655	4,758	4,862	4,992
Employment (000s)	4,171	4,063	4,089	4,235	4,377	4,524	4,689
Unemployment Rate (%)	6.6	9.7	10.3	9.0	8.0	7.0	6.1

Table 7 (continued)

	1988	1989	1990	1991	1992	1993
Retail Sales* (\$ billions)	69.8	72.6	72.6	67.2	68.7	71.3
Housing Starts - Units (000s)	99.9	93.3	62.6	52.8	55.8	45.1
Personal Income (\$ billions)	207.3	227.3	238.8	245.4	248.0	252.2
Pre-Tax Corporate Profits (\$ billions)	30.6	28.3	20.4	16.0	15.3	17.4
Consumer Price Index (1986 = 100)	110.0	116.4	122.0	127.6	129.0	131.2
Labour Force (000s)	5,118	5,214	5,268	5,276	5,286	5,362
Employment (000s)	4,862	4,949	4,937	4,770	4,714	4,793
Unemployment Rate (%)	5.0	5.1	6.3	9.6	10.8	10.6

* Retail sales include Federal Sales Taxes up to 1990 but exclude GST from 1991 on.

Sources: Statistics Canada, Ontario Ministry of Finance and CMHC

1994 ONTARIO ECONOMIC OUTLOOK

Table 8 **Ontario, Growth in Economic Indicators, 1981-1993**

	(per cent change)						
	1981	1982	1983	1984	1985	1986	1987
Retail Sales*	24.2	5.4	11.1	10.3	13.0	9.0	10.5
Housing Starts	25.0	-23.2	42.7	-12.3	34.7	25.6	29.1
Personal Income	14.5	12.0	8.2	10.2	8.3	8.3	9.9
Pre-Tax Corporate Profits	0.5	-36.9	51.6	30.2	8.3	11.4	17.4
Consumer Price Index	12.0	10.7	6.2	4.9	4.1	4.4	5.1
Labour Force	2.6	0.9	1.3	2.1	2.2	2.2	2.7
Employment	2.9	-2.6	0.6	3.6	3.4	3.4	3.6
Unemployment Rate	...	...	...	...	...	...	...

Table 8 (continued) (per cent change)

	1988	1989	1990	1991	1992	1993
Retail Sales*	7.8	4.0	0.0	-7.5	2.3	3.8
Housing Starts	-5.0	-6.6	-32.9	-15.7	5.6	-19.1
Personal Income	11.4	9.7	5.0	2.8	1.1	1.7
Pre-Tax Corporate Profits	22.4	-7.6	-27.9	-21.2	-4.7	13.9
Consumer Price Index	4.7	5.8	4.8	4.6	1.1	1.7
Labour Force	2.5	1.9	1.0	0.2	0.2	1.4
Employment	3.7	1.8	-0.2	-3.4	-1.2	1.7
Unemployment Rate	...	...	...	...	...	...

* Retail sales include Federal Sales Taxes up to 1990 but exclude GST after 1990.

... Figures not appropriate or not applicable.

Sources: Statistics Canada, Ontario Ministry of Finance and CMHC

Table 9 **Canada, Selected Economic Indicators, 1981-1993**

	1981	1982	1983	1984	1985	1986	1987
Retail Sales* (\$ billions)	103.4	107.1	116.6	127.4	142.2	153.8	168.9
Housing Starts - Units (000s)	178.0	125.9	162.6	134.9	165.8	199.8	246.0
Personal Income (\$ billions)	293.2	324.8	343.1	372.2	400.2	427.3	461.2
Pre-Tax Corporate Profits (\$ billions)	37.7	26.8	37.1	45.9	49.5	45.4	56.6
Consumer Price Index (1986 = 100)	75.5	83.7	88.5	92.4	96.0	100.0	104.4
Labour Force (000s)	11,899	11,926	12,109	12,316	12,532	12,746	13,011
Employment (000s)	11,001	10,618	10,675	10,932	11,221	11,531	11,861
Unemployment Rate (%)	7.5	11.0	11.8	11.2	10.5	9.5	8.8

Table 9 (continued)

	1988	1989	1990	1991	1992	1993
Retail Sales* (\$ billions)	181.7	189.3	192.6	181.2	185.0	193.8
Housing Starts - Units (000s)	222.6	215.4	181.6	156.2	168.3	156.1
Personal Income (\$ billions)	506.0	550.2	587.5	604.9	619.3	633.2
Pre-Tax Corporate Profits (\$ billions)	64.7	60.1	44.8	33.7	33.1	39.8
Consumer Price Index (1986 = 100)	108.6	114.0	119.5	126.2	128.1	130.4
Labour Force (000s)	13,275	13,503	13,681	13,757	13,797	13,946
Employment (000s)	12,245	12,486	12,572	12,340	12,240	12,383
Unemployment Rate (%)	7.8	7.5	8.1	10.3	11.3	11.2

* Retail sales include Federal Sales Taxes up to 1990 but exclude GST from 1991 on.

Sources: Statistics Canada, Ontario Ministry of Finance and CMHC

1994 ONTARIO ECONOMIC OUTLOOK

Table 10 **Canada, Growth in Economic Indicators, 1981-1993**

	(per cent change)						
	1981	1982	1983	1984	1985	1986	1987
Retail Sales*	...	3.5	8.9	9.3	11.6	8.1	9.8
Housing Starts - Units	12.2	-29.3	29.2	-17.1	22.9	20.5	23.1
Personal Income	17.8	10.8	5.6	8.5	7.5	6.8	7.9
Pre-Tax Corporate Profits	-5.4	-28.7	38.1	23.7	7.9	-8.4	24.7
Consumer Price Index	12.4	10.9	5.7	4.4	3.9	4.2	4.4
Labour Force	2.8	0.2	1.5	1.7	1.8	1.7	2.1
Employment	2.7	-3.5	0.5	2.4	2.6	2.8	2.9
Unemployment Rate	...	...	...	...	...	...	...

Table 10 (continued)

	(per cent change)					
	1988	1989	1990	1991	1992	1993
Retail Sales*	7.6	4.2	1.7	-5.9	2.1	4.7
Housing Starts - Units	-9.5	-3.2	-15.7	-14.0	7.7	-7.6
Personal Income	9.7	8.7	6.8	2.9	2.4	2.3
Pre-Tax Corporate Profits	14.3	-7.1	-25.4	-24.8	-1.9	20.3
Consumer Price Index	4.0	5.0	4.8	5.6	1.5	1.8
Labour Force	2.0	1.7	1.3	0.6	0.3	1.1
Employment	3.2	2.0	0.7	-1.8	-0.8	1.2
Unemployment Rate	...	...	...	...	...	...

* Retail sales include Federal Sales Taxes up to 1990 but exclude GST from 1991 on.

... Figures not appropriate or not applicable.

Sources: Statistics Canada, Ontario Ministry of Finance and CMHC

Table 11 **Ontario, Gross Domestic Product by Industry,¹ 1984-1993**

	(millions of dollars)				
	1984	1985	1986	1987	1988
Real Gross Domestic Product (\$1986)	163,101	172,153	179,575	188,310	199,076
Goods Producing Industries	62,415	65,813	66,814	68,706	72,718
Agriculture	2,746	2,595	2,417	2,426	2,618
Forestry and Logging	467	440	489	472	474
Fishing and Trapping	34	38	41	42	45
Mines, Quarry and Oil Wells	2,325	2,242	2,232	2,473	2,567
Manufacturing	43,315	46,336	46,567	47,695	50,811
Construction	8,629	9,130	9,970	10,666	10,984
Utilities	4,619	4,952	5,098	4,932	5,218
Services Producing Industries	100,573	106,225	112,762	119,604	126,358
Transportation, Storage and Communication	10,391	10,828	11,358	12,511	13,305
Wholesale and Retail Trade	18,391	20,224	21,918	23,605	25,038
Finance, Insurance and Real Estate	23,318	24,918	27,154	28,216	29,752
Government Services	10,872	11,027	11,064	11,122	11,383
Community, Business and Personal Services	36,831	38,246	40,185	42,864	45,535
Other Services	770	983	1,082	1,286	1,345
Industrial Production²	50,720	53,891	54,229	55,433	58,928

1994 ONTARIO ECONOMIC OUTLOOK

Table 11 (continued) Ontario, Gross Domestic Product by Industry,¹ 1984-1993

	(millions of dollars)				
	1989	1990	1991	1992	1993
Real Gross Domestic Product (\$1986)	205,311	200,703	195,853	196,551	200,060
Goods Producing Industries	73,421	68,574	64,225	63,553	64,509
Agriculture	2,610	2,505	2,287	2,177	2,279
Forestry and Logging	472	421	357	418	425
Fishing and Trapping	48	56	46	55	66
Mines, Quarry and Oil Wells	2,566	2,442	2,267	2,204	2,142
Manufacturing	50,957	47,747	43,923	44,475	46,900
Construction	11,807	11,139	10,501	9,448	7,890
Utilities	4,961	4,265	4,844	4,777	4,808
Services Producing Industries	131,890	132,129	131,628	132,998	135,551
Transportation, Storage and Communication	14,031	14,554	14,117	14,110	14,322
Wholesale and Retail Trade	26,179	26,021	25,355	26,700	27,757
Finance, Insurance and Real Estate	30,829	30,921	31,540	32,022	32,820
Government Services	11,762	11,975	12,286	12,486	12,338
Community, Business and Personal Services	47,686	47,291	46,967	46,353	46,951
Other Services	1,403	1,367	1,364	1,327	1,363
Industrial Production²	58,845	54,827	51,414	51,829	54,226

Notes: 1. Gross Domestic Product on an industry basis is at factor cost, whereas GDP on an expenditure basis is at market prices.

2. Industrial production comprises mining, manufacturing and utilities.

Source: Statistics Canada

Table 12 Ontario, Growth in Gross Domestic Product by Industry¹, 1985-1993

	(per cent change)				
	1985	1986	1987	1988	1989
Real Gross Domestic Product (\$1986)	5.5	4.3	4.9	5.7	3.1
Goods Producing Industries	5.4	1.5	2.8	5.8	1.0
Agriculture	-5.5	-6.8	0.3	7.9	-0.3
Forestry and Logging	-5.9	11.2	-3.5	0.4	-0.3
Fishing and Trapping	13.1	6.7	1.9	9.3	6.6
Mines, Quarry and Oil Wells	-3.5	-0.5	10.8	3.8	-0.1
Manufacturing	7.0	0.5	2.4	6.5	0.3
Construction	5.8	9.2	7.0	3.0	7.5
Utilities	7.2	3.0	-3.3	5.8	-4.9
Services Producing Industries	5.6	6.2	6.1	5.6	4.4
Transportation, Storage and Communication	4.2	4.9	10.2	6.3	5.5
Wholesale and Retail Trade	10.0	8.4	7.7	6.1	4.6
Finance, Insurance and Real Estate	6.9	9.0	3.9	5.4	3.6
Government Services	1.4	0.3	0.5	2.3	3.3
Community, Business and Personal Services	3.8	5.1	6.7	6.2	4.7
Other Services	27.6	10.1	18.9	4.6	4.3
Industrial Production²	6.3	0.6	2.2	6.3	-0.1

1994 ONTARIO ECONOMIC OUTLOOK

Table 12 (continued) **Ontario, Growth in Gross Domestic Product by Industry¹, 1985-1993**

	(per cent change)			
	1990	1991	1992	1993
Real Gross Domestic Product (\$1986)	-2.2	-2.4	0.4	1.8
Goods Producing Industries	-6.6	-6.3	-1.0	1.5
Agriculture	-4.0	-8.7	-4.8	4.7
Forestry and Logging	-10.9	-15.2	17.1	1.7
Fishing and Trapping	15.0	-16.4	17.7	21.4
Mines, Quarry and Oil Wells	-4.8	-7.2	-2.8	-2.8
Manufacturing	-6.3	-8.0	1.3	5.5
Construction	-5.7	-5.7	-10.0	-16.5
Utilities	-14.0	13.6	-1.4	0.7
Services Producing Industries	0.2	-0.4	1.0	1.9
Transportation, Storage and Communication	3.7	-3.0	-0.0	1.5
Wholesale and Retail Trade	-0.6	-2.6	5.3	4.0
Finance, Insurance and Real Estate	0.3	2.0	1.5	2.5
Government Services	1.8	2.6	1.6	-1.2
Community, Business and Personal Services	-0.8	-0.7	-1.3	1.3
Other Services	-2.6	-0.2	-2.7	2.7
Industrial Production²	-6.8	-6.2	0.8	4.6

Notes: 1. Gross Domestic Product on an industry basis is at factor cost, whereas GDP on an expenditure basis is at market prices.

2. Industrial production comprises mining, manufacturing and utilities.

Source: Statistics Canada

Table 13 Ontario, Gross Domestic Product by Sector & Selected Industries

	Per cent Share*	(\$ millions)			Annual Per cent Change		
		1989	1991	1993	1984- 1989	1989- 1991	1991- 1993
Total Economy (Real, \$1986)	100.0	205,311.2	195,853.7	200,060.5	4.7	-2.3	1.1
Autos and Parts	5.0	9,789.4	8,365.9	10,010.3	4.0	-7.6	9.4
Business Equipment and Related Services	5.4	10,471.1	10,203.2	10,709.5	6.7	-1.3	2.5
Business Equipment	4.3	8,675.1	8,206.4	8,697.3	5.6	-2.7	3.0
Computing Services	1.0	1,796.0	1,996.8	2,012.3	17.0	5.5	0.4
Financial, Business and Distribution Services	29.4	58,439.3	57,015.0	58,850.3	7.8	-1.2	1.6
Finance, Insurance & Real Estate	8.4	17,352.0	16,574.3	16,900.2	6.4	-2.2	1.0
Business Services	4.1	9,337.8	8,563.8	8,110.6	11.4	-4.2	-2.6
Wholesale Trade	8.0	13,948.8	14,126.4	16,058.2	10.1	0.6	6.6
Transportation	3.6	8,062.0	7,206.4	7,174.7	4.5	-5.4	-0.2
Communications	3.9	6,587.6	7,538.3	7,753.7	8.2	7.0	1.4
Industrial Materials	5.6	13,208.4	10,625.1	11,241.7	3.2	-10.3	2.9
Fabricated Metal Products	1.6	4,003.0	3,096.3	3,170.8	4.7	-12.0	1.4
Steel	1.3	2,859.8	2,389.5	2,697.1	1.1	-8.2	6.4
Plastics	0.6	1,127.9	1,021.8	1,138.6	4.8	-4.8	5.6
Chemicals	1.1	2,224.3	1,974.8	2,126.6	1.6	-5.5	3.8
Agriculture and Resource-Based Industry	9.9	21,299.1	19,320.1	19,854.4	0.8	-4.7	1.4
Agriculture	1.1	2,610.2	2,287.2	2,278.5	-0.9	-6.4	-0.1
Food, Beverages & Tobacco	2.9	5,818.0	5,417.4	5,853.5	-0.3	-3.5	3.9
Forestry, Wood & Paper Products	1.8	4,269.6	3,398.4	3,596.7	2.3	-10.7	2.9
Mining & Non-Ferrous Metals	1.4	3,225.0	2,940.1	2,849.2	2.4	-4.5	-1.5
Energy-Related	2.6	5,327.8	5,230.5	5,210.1	1.1	-0.2	-0.2

1994 ONTARIO ECONOMIC OUTLOOK

Ontario, Gross Domestic Product by Sector & Selected Industries							
Table 13 (continued)	Per	(\$ millions)		Annual Per cent Change			
	cent				1984-	1989-	1991-
	Share*	1989	1991	1993	1989	1991	1993
Construction	3.9	11,806.5	10,501.1	7,889.6	6.5	-5.7	-13.3
Retail, Consumer Products and Services	9.8	21,372.5	19,203.0	19,637.0	4.1	-5.2	1.1
Retail Trade	5.8	12,230.2	11,228.9	11,699.1	4.6	-4.2	2.1
Consumer Products	2.2	5,446.8	4,481.6	4,455.0	1.6	-9.3	-0.2
Leisure and Tourism	3.9	9,170.8	7,637.0	7,722.7	5.1	-8.7	0.6
Accommodation Services	0.6	1,231.4	1,061.4	1,134.1	0.9	-7.0	3.4
Food & Beverage Services	1.5	3,776.6	2,950.2	3,035.5	5.6	-11.5	1.4
Amusement & Recreation Services	1.1	2,195.1	2,085.7	2,168.1	6.4	-2.5	2.0
Broader Public Sector	19.0	36,101.0	37,845.1	38,054.7	2.5	2.4	0.3
Health and Social Services	6.5	12,616.1	13,012.5	12,986.5	4.0	1.6	-0.1
Educational Services	5.6	10,288.1	10,985.0	11,133.9	1.3	3.3	0.7
Government Administration	6.2	11,762.0	12,285.7	12,338.1	1.6	2.2	0.2

Notes: * Based on 1993 data.

1. GDP data is re-configured to conform as much as possible with the sector definitions used in Chapter 5. Total GDP is at factor cost and includes imputed rent for owner-occupied housing.
2. Business equipment includes machinery, transportation equipment other than cars, trucks and buses, non-household electrical equipment and scientific and professional equipment.
3. Chemicals include industrial and agricultural chemicals, plastic and synthetic resins, inks, adhesives and miscellaneous chemicals.
4. Energy-related includes crude oil, natural gas, refined petroleum and gas products, and electricity.
5. Business services includes architectural, engineering and technical services.
6. Consumer products include textile and leather products, clothing, household furniture and electrical goods, drugs, cosmetics, cleaners, paints, jewelry, toys and sporting goods.

Sources: Statistics Canada and Ministry of Finance estimates.

Table 14 **Canada, Gross Domestic Product by Industry¹, 1984-1993**

	(millions of dollars)				
	1984	1985	1986	1987	1988
Real Gross Domestic Product (\$1986)	418,717	438,450	451,839	471,520	492,587
Goods Producing Industries	152,947	160,691	163,166	169,772	177,176
Agriculture	9,814	9,404	11,057	9,966	9,452
Forestry and Logging	2,720	2,635	2,691	3,008	3,044
Fishing and Trapping	777	945	980	885	946
Mines, Quarry and Oil Wells	18,122	18,919	17,595	18,724	20,536
Manufacturing	81,622	86,218	86,849	91,025	95,643
Construction	25,013	26,953	28,082	29,687	30,815
Utilities	14,483	15,565	15,912	16,477	16,740
Services Producing Industries	265,558	277,472	288,673	301,748	315,412
Transportation, Storage and Communication	33,334	34,517	35,497	37,826	40,059
Wholesale and Retail Trade	45,341	49,141	51,581	55,061	57,827
Finance, Insurance and Real Estate	62,211	66,214	69,515	72,827	75,671
Government Services	31,096	31,298	31,716	31,780	32,266
Community, Business and Personal Services	93,784	96,303	100,363	104,254	109,588
Industrial Production²	114,883	121,273	120,356	126,226	132,918

1994 ONTARIO ECONOMIC OUTLOOK

Table 14 (continued) Canada, Gross Domestic Product by Industry¹, 1984-1993

	(millions of dollars)				
	1989	1990	1991	1992	1993
Real Gross Domestic Product (\$1986)	505,050	503,661	494,532	497,791	510,947
Goods Producing Industries	179,615	175,547	167,226	165,110	170,763
Agriculture	10,231	10,838	10,717	9,934	10,617
Forestry and Logging	3,129	2,865	2,534	2,607	2,815
Fishing and Trapping	1,023	1,129	1,066	1,055	1,086
Mines, Quarry and Oil Wells	19,716	19,665	20,030	20,371	21,765
Manufacturing	96,512	92,919	86,552	87,161	91,502
Construction	32,503	32,396	29,864	27,337	26,034
Utilities	16,502	15,734	16,464	16,645	16,944
Services Producing Industries	325,435	328,114	327,306	332,681	340,184
Transportation, Storage and Communication	41,371	41,984	41,461	41,936	43,176
Wholesale and Retail Trade	59,724	59,330	57,106	59,678	62,390
Finance, Insurance and Real Estate	77,712	78,491	80,401	82,190	84,376
Government Services	32,941	33,607	33,993	34,447	34,191
Community, Business and Personal Services	113,686	114,701	114,346	114,431	116,052
Industrial Production²	132,729	128,318	123,045	124,176	130,211

Note: 1. Gross Domestic Product on an industry basis is at factor cost, whereas GDP on an expenditure basis is at market prices.

2. Industrial production comprises mining, manufacturing and utilities.

Source: Statistics Canada

Table 15 Canada, Growth in Gross Domestic Product by Industry¹, 1985-1993

	(per cent change)				
	1985	1986	1987	1988	1989
Real Gross Domestic Product (\$1986)	4.7	3.1	4.4	4.5	2.5
Goods Producing Industries	5.1	1.5	4.0	4.4	1.4
Agriculture	-4.2	17.6	-9.9	-5.2	8.2
Forestry and Logging	-3.1	2.1	11.8	1.2	2.8
Fishing and Trapping	21.7	3.7	-9.7	6.9	8.1
Mines, Quarry and Oil Wells	4.4	-7.0	6.4	9.7	-4.0
Manufacturing	5.6	0.7	4.8	5.1	0.9
Construction	7.8	4.2	5.7	3.8	5.5
Utilities	7.5	2.2	3.5	1.6	-1.4
Services Producing Industries	4.5	4.0	4.5	4.5	3.2
Transportation, Storage and Communication	3.5	2.8	6.6	5.9	3.3
Wholesale and Retail Trade	8.4	5.0	6.7	5.0	3.3
Finance, Insurance and Real Estate	6.4	5.0	4.8	3.9	2.7
Government Services	0.7	1.3	0.2	1.5	2.1
Community, Business and Personal Services	2.7	4.2	3.9	5.1	3.7
Industrial Production²	5.6	-0.8	4.9	5.3	-0.1

1994 ONTARIO ECONOMIC OUTLOOK

Table 15 (continued) **Canada, Growth in Gross Domestic Product by Industry¹, 1985-1993**

	(per cent change)			
	1990	1991	1992	1993
Real Gross Domestic Product (\$1986)	-0.3	-1.8	0.7	2.6
Goods Producing Industries	-2.3	-4.7	-1.3	3.4
Agriculture	5.9	-1.1	-7.3	6.9
Forestry and Logging	-8.4	-11.5	2.9	8.0
Fishing and Trapping	10.4	-5.6	-1.0	2.9
Mines, Quarry and Oil Wells	-0.3	1.9	1.7	6.8
Manufacturing	-3.7	-6.9	0.7	5.0
Construction	-0.3	-7.8	-8.5	-4.8
Utilities	-4.7	4.6	1.1	1.8
Services Producing Industries	0.8	-0.2	1.6	2.3
Transportation, Storage and Communication	1.5	-1.2	1.1	3.0
Wholesale and Retail Trade	-0.7	-3.7	4.5	4.5
Finance, Insurance and Real Estate	1.0	2.4	2.2	2.7
Government Services	2.0	1.1	1.3	-0.7
Community, Business and Personal Services	0.9	-0.3	0.1	1.4
Industrial Production²	-3.3	-4.1	0.9	4.9

Notes: 1. Gross Domestic Product on an industry basis is at factor cost, whereas GDP on an expenditure basis is at market prices.

2. Industrial production comprises mining, manufacturing and utilities.

Source: Statistics Canada

Table 16 **Ontario and the G-7, Real GDP Growth, 1981-1993**

	(per cent change)						
	1981	1982	1983	1984	1985	1986	1987
Ontario	3.0	-4.0	4.5	9.2	5.3	6.1	4.5
Canada	3.7	-3.2	3.2	6.3	4.8	3.3	4.2
France	1.2	2.5	0.7	1.3	1.9	2.5	2.3
West Germany	0.1	-0.9	1.7	2.7	2.0	2.4	1.6
Italy	0.6	0.2	1.0	2.7	2.6	2.9	3.1
Japan	3.6	3.2	2.7	4.3	5.0	2.6	4.1
United Kingdom	-1.3	-1.7	3.7	2.3	3.8	4.3	4.8
United States	1.8	-2.2	3.9	6.2	3.2	2.9	3.1

Table 16 (continued)

	(per cent change)					
	1988	1989	1990	1991	1992	1993
Ontario	6.7	2.2	-3.0	-2.9	0.5	2.1
Canada	5.0	2.4	-0.2	-1.8	0.6	2.2
France	4.5	4.3	2.5	0.8	1.2	-1.0
West Germany	3.8	3.5	5.6	4.5	1.5	-1.8
Italy	4.1	2.9	2.1	1.2	0.7	-0.7
Japan	6.2	4.7	4.8	4.3	1.1	0.1
United Kingdom	5.0	2.2	0.4	-2.2	-0.6	1.9
United States	3.9	2.5	1.2	-0.7	2.6	3.0

Sources: OECD and Statistics Canada

1994 ONTARIO ECONOMIC OUTLOOK

Table 17

Ontario and the G-7, Employment Growth, 1981-1993

	(per cent change)						
	1981	1982	1983	1984	1985	1986	1987
Ontario	2.9	-2.6	0.6	3.6	3.4	3.4	3.6
Canada	2.7	-3.5	0.5	2.4	2.6	2.8	2.9
France	-0.6	0.2	-0.3	-0.9	0.5	0.3	0.4
West Germany	-0.1	-1.2	-1.4	0.2	0.7	1.4	0.7
Italy	0.2	-0.3	0.2	0.4	0.4	0.5	-0.2
Japan	0.8	1.0	1.7	0.6	0.7	0.8	1.0
United Kingdom	-3.4	-1.9	-0.2	2.2	1.1	0.3	2.3
United States	1.1	-0.9	1.3	4.1	2.0	2.3	2.6

Table 17 (continued)

	(per cent change)					
	1988	1989	1990	1991	1992	1993
Ontario	3.7	1.8	-0.2	-3.4	-1.2	1.7
Canada	3.2	2.0	0.7	-1.8	-0.8	1.2
France	1.0	1.4	1.0	0.1	-0.8	-1.2
West Germany	0.8	1.5	3.0	2.6	0.9	-2.1
Italy	1.1	0.1	1.8	0.9	-0.6	-4.8
Japan	1.7	2.0	2.0	1.9	1.1	0.2
United Kingdom	3.3	2.7	0.3	-3.2	-2.7	-1.3
United States	2.3	2.0	0.5	-0.9	0.6	1.5

Sources: OECD and Statistics Canada

Table 18 **Ontario and the G-7, Unemployment Rates, 1981-1993**

	(per cent)						
	1981	1982	1983	1984	1985	1986	1987
Ontario	6.6	9.7	10.3	9.0	8.0	7.0	6.1
Canada	7.5	11.0	11.8	11.2	10.5	9.5	8.8
France	7.4	8.1	8.3	9.7	10.3	10.4	10.5
West Germany	4.5	6.4	7.9	7.9	8.0	7.7	7.6
Italy	8.5	9.2	10.0	10.1	10.2	11.2	12.1
Japan	2.2	2.3	2.7	2.7	2.6	2.8	2.9
United Kingdom	9.1	10.4	11.2	11.4	11.6	11.7	10.3
United States	7.6	9.7	9.6	7.5	7.2	7.0	6.2

Table 18 (continued)

	(per cent)					
	1988	1989	1990	1991	1992	1993
Ontario	5.0	5.1	6.3	9.6	10.8	10.6
Canada	7.8	7.5	8.1	10.3	11.3	11.2
France	10.0	9.4	8.9	9.5	10.4	11.7
West Germany	7.6	6.9	6.0	5.5	5.8	7.3
Italy	12.1	12.1	11.5	11.0	11.6	10.4
Japan	2.5	2.3	2.1	2.1	2.2	2.5
United Kingdom	8.2	6.2	5.9	8.3	10.0	10.3
United States	5.5	5.3	5.5	6.7	7.4	6.8

Sources: OECD and Statistics Canada

1994 ONTARIO ECONOMIC OUTLOOK

Table 19 **Ontario and the G-7, CPI Inflation Rates, 1981-1993**

	(per cent)						
	1981	1982	1983	1984	1985	1986	1987
Ontario	12.0	10.7	6.2	4.9	4.1	4.4	5.1
Canada	12.4	10.9	5.7	4.4	3.9	4.2	4.4
France	13.4	11.8	9.6	7.4	5.8	2.7	3.1
West Germany	6.4	5.2	3.2	2.4	2.2	-0.1	0.2
Italy	17.9	16.5	14.7	10.8	9.2	5.8	4.8
Japan	4.9	2.7	1.8	2.3	2.0	0.6	0.1
United Kingdom	11.9	8.6	0.5	5.0	6.0	3.4	4.2
United States	10.3	6.2	3.2	4.3	3.6	1.9	3.6

Table 19 (continued)

	(per cent)					
	1988	1989	1990	1991	1992	1993
Ontario	4.7	5.8	4.8	4.6	1.1	1.7
Canada	4.0	5.0	4.8	5.6	1.5	1.8
France	2.6	3.7	3.4	3.2	2.4	2.0
West Germany	1.3	2.8	2.7	3.5	4.0	4.2
Italy	5.0	6.3	6.5	6.2	5.1	4.5
Japan	0.7	2.3	3.1	3.3	1.7	1.2
United Kingdom	4.9	7.8	9.5	5.9	3.9	1.7
United States	4.1	4.8	5.4	4.2	3.0	3.0

Sources: OECD and Statistics Canada

Table 20 **Ontario and Canada, International Merchandise Trade, 1981-1993**

		(millions of dollars)						
		1981	1982	1983	1984	1985	1986	1987
Ontario								
Exports		34,042	36,842	41,706	55,202	59,382	62,593	61,044
% Change		15.4	8.2	13.2	32.4	7.6	5.4	-2.5
Imports		42,960	39,071	45,584	59,576	65,895	72,154	73,724
% Change		13.8	-9.1	16.7	30.7	10.6	9.5	2.2
Trade Balance		-8,918	-2,229	-3,878	-4,374	-6,513	-9,651	-12,680
Canada								
Exports		83,698	84,403	90,964	112,495	119,241	120,495	125,087
% Change		10.2	0.8	7.8	23.7	6.0	1.1	3.8
Imports		78,876	67,630	75,586	95,842	104,914	112,678	116,239
% Change		14.3	-14.3	11.8	26.8	9.5	7.4	3.2
Trade Balance		4,822	16,773	15,378	16,653	14,327	7,817	8,848

Table 20 (continued)

Table 20 (continued)		(millions of dollars)				
	1988	1989	1990	1991	1992	1993
Ontario						
Exports	67,376	67,425	74,414	70,990	82,266	95,037
% Change	10.4	0.1	10.4	-4.6	15.9	15.5
Imports	82,916	82,032	79,103	79,224	89,695	106,725
% Change	12.5	-1.1	-3.6	0.2	13.2	19.0
Trade Balance	-15,540	-14,607	-4,689	-8,234	-7,429	-11,688
Canada						
Exports	137,695	137,284	148,170	145,927	162,823	187,348
% Change	10.1	-0.3	7.9	-1.5	11.6	15.1
Imports	131,664	134,904	135,922	135,461	148,013	169,951
% Change	13.3	2.5	0.8	-0.3	9.3	14.8
Trade Balance	6,031	2,380	12,248	10,466	14,810	17,397

Sources: Statistics Canada and Ontario Ministry of Economic Development and Trade

1994 ONTARIO ECONOMIC OUTLOOK

Table 21

Ontario, International Merchandise Exports by Selected Sectors & Industries

	1993	1989 Exports	1993 Exports	Annual	
	Per cent			Per cent Change	
	Share			1989-93	1993-94*
	(per cent)			(per cent)	
Total Domestic Exports	100.0	65,051	89,901	38.2	14.5
Autos and Parts	47.6	29,265	42,784	46.2	7.1
Motor Vehicles and Parts	46.2	28,544	41,555	45.6	6.4
Tires and Other Rubber Products	1.4	721	1,228	70.4	28.6
Business Equipment	18.4	13,179	16,524	25.4	33.9
Machinery	12.7	9,350	11,456	22.5	34.2
Electrical Products	4.3	2,832	3,871	36.7	30.8
Scientific and Professional Equipment	1.3	997	1,197	20.0	41.8
Industrial Materials	12.0	8,187	10,817	32.1	21.0
Plastics	2.3	1,190	2,061	73.2	23.0
Steel	4.0	2,860	3,616	26.4	15.0
Aluminum and Tin Products	0.8	699	737	5.5	44.1
Primary Textiles	0.7	327	604	84.6	38.1
Chemicals	2.5	2,000	2,225	11.2	13.9
Metal Fabricating	0.6	408	533	30.8	28.1
Non-Metallic Mineral Products	1.2	703	1,041	48.1	27.8
Agriculture & Resource-Based Industry	15.6	10,731	14,048	30.9	5.6
Agriculture	1.4	1,055	1,268	20.2	11.3
Food, Beverages and Tobacco	2.5	1,021	2,282	123.5	18.5
Forestry, Wood, Pulp and Paper	5.5	3,901	4,935	26.5	13.9
Mining and Non-Ferrous Metals	6.0	4,587	5,412	18.0	-8.2
Energy-Related	1.1	613	952	55.2	20.7

Table 21 (continued)

Ontario, International Merchandise Exports
by Selected Sectors & Industries

	1993	1989 Exports	1993 Exports	Annual	
	Per cent			Per cent Change	
	Share			1989-93	1993-94*
	(per cent)	(\$ millions)		(per cent)	
Consumer Products	5.3	3,075	4,776	55.3	29.6
Leather, Textile Products and Clothing	0.5	187	406	117.6	33.4
Furniture	1.9	768	1,717	123.6	41.0
Drugs, Cosmetics, Soaps, Film	1.1	434	956	120.4	27.8
Toys, Games, Sports Equipment, etc.	0.2	131	179	36.3	46.9
Repairs and Low-Value Transactions	1.3	1,289	1,171	-9.2	14.2

Notes: * First six months 1994/first six months 1993.

1. Trade commodity data is re-configured to conform as much as possible with the sector definition used in Chapter 5.
2. Electrical Products includes household electrical goods.
3. Chemicals include consumer chemical products.
4. Energy-related includes crude oil, natural gas, refined petroleum and gas products, and electricity.
5. Furniture includes office furniture.

Sources: Statistics Canada and Ministry of Finance estimates.

1994 ONTARIO ECONOMIC OUTLOOK

Table 22 **Ontario, International Exports by Major Commodity, 1993**

	Value (\$millions)	Per cent of total
Motor Vehicles, Parts and Accessories	41,215	43.4
Machinery and Mechanical Appliances	11,208	11.8
Electrical Machinery and Equipment	4,269	4.5
Non-Ferrous Metals and Allied Products	3,702	3.9
Pulp; Paper and Allied Products	3,254	3.4
Precious Metals, Stones and Coins	2,969	3.1
Iron and Steel	2,181	2.3
Plastics and Plastic Articles	2,089	2.2
Prepared Foodstuffs, Beverages and Tobacco	2,062	2.2
Wood and Wood Products	1,723	1.8
Furniture and Fixtures, Signs, Prefabricated Buildings	1,715	1.8
Articles of Iron and Steel	1,482	1.6
Other Chemical Products	1,467	1.5
Mineral Products	1,400	1.5
Scientific, Professional and Photo Equipment, Clocks	1,307	1.4
Rubber and Rubber Articles	1,264	1.3
Inorganic Chemicals; Chemical Elements & Compound	913	1.0
Aircraft, Spacecraft and Parts	832	0.9
Articles of Stone, Cement, Ceramic and Glass	810	0.9
Live Animals; Animal Products	760	0.8
Vegetable Products; Fats and Oils	742	0.8
Textiles and Textile Articles	707	0.7
Organic Chemicals	679	0.7
Railway, Rolling Stock and Parts	544	0.6
Printed Matter	361	0.4
Hides, Leather, Travel Goods and Furs	235	0.3
Pharmaceutical Products	228	0.2
Apparel and Clothing Accessories	207	0.2
Toys, Games and Sports Equipment	166	0.2
Miscellaneous Articles; Works of Art	147	0.2
Other Commodities	4,400	4.6
Total Exports	95,037	100.0

Notes: 1. Ministry of Economic Development and Trade definition of product groupings based on two-digit Harmonized System Codes.

2. Other commodities include re-exports and special transactions.

Sources: Statistics Canada and Ontario Ministry of Economic Development and Trade

Table 23 **Ontario, International Imports by Major Commodity, 1993**

	Value (\$millions)	Per cent of total
Motor Vehicles, Parts and Accessories	24,338	22.8
Machinery and Mechanical Appliances	21,550	20.2
Electrical Machinery and Equipment	12,854	12.0
Scientific, Professional and Photo Equipment, Clocks	3,965	3.7
Other Chemical Products	3,596	3.4
Plastics and Plastic Articles	3,490	3.3
Non-Ferrous Metals and Allied Products	3,406	3.2
Prepared Foodstuffs, Beverages and Tobacco	2,604	2.4
Vegetable Products; Fats and Oils	2,191	2.1
Articles of Iron and Steel	2,022	1.9
Pulp; Paper and Allied Products	1,865	1.7
Furniture and Fixtures, Signs, Prefabricated Buildings	1,757	1.6
Printed Matter	1,687	1.6
Iron and Steel	1,678	1.6
Precious Metals, Stones and Coins	1,667	1.6
Articles of Stone, Cement, Ceramic and Glass	1,628	1.5
Rubber and Rubber Articles	1,575	1.5
Organic Chemicals	1,535	1.4
Textiles and Textile Articles	1,449	1.4
Mineral Products	1,446	1.4
Apparel and Clothing Accessories	1,129	1.1
Pharmaceutical Products	1,124	1.1
Live Animals; Animal Products	1,001	0.9
Toys, Games and Sports Equipment	980	0.9
Aircraft, Spacecraft and Parts	756	0.7
Wood and Wood Products	650	0.6
Inorganic Chemicals; Chemical Elements & Compound	484	0.5
Footwear	478	0.4
Hides, Leather, Travel Goods and Furs	450	0.4
Miscellaneous Articles; Works of Art	416	0.4
Other Commodities	2,955	2.8
Total Imports	106,725	100.0

Notes: 1. Ministry of Economic Development and Trade definition of product groupings based on two-digit Harmonized System Codes.

2. Other commodities include trans-shipments from one province to another through a foreign jurisdiction and special transactions.

Sources: Statistics Canada and Ontario Ministry of Economic Development and Trade

1994 ONTARIO ECONOMIC OUTLOOK

Table 24 **Ontario, International Trade by Major Region, 1993**

	Exports (\$millions)	Per cent of total	Imports (\$millions)	Per cent of total
United States	84,801	89.2	81,182	76.1
Western Europe	4,849	5.1	7,478	7.0
European Union	3,468	3.6	6,445	6.0
Other Western Europe	1,381	1.5	1,034	1.0
Eastern Europe	270	0.3	200	0.2
Asia	2,867	3.0	12,111	11.3
Pacific Rim	2,752	2.9	11,875	11.1
Other Asia	115	0.1	237	0.2
Caribbean	196	0.2	134	0.1
Latin America	1,187	1.2	4,063	3.8
Mexico	378	0.4	3,100	2.9
Middle East	487	0.5	161	0.2
Africa	332	0.3	146	0.1
Statistical Discrepancy	48	0.1	1,250	1.2
Total	95,037	100.0	106,725	100.0

Note: Figures may not add to totals due to rounding.

Sources: Statistics Canada and Ontario Ministry of Economic Development and Trade

Table 25 **Canada, International Trade by Major Region, 1993**

	Exports (\$millions)	Per cent of total	Imports (\$millions)	Per cent of total
United States	150,542	80.4	113,844	67.0
Western Europe	13,059	7.0	18,002	10.6
European Union	11,075	5.9	14,808	8.7
Other Western Europe	1,984	1.1	3,194	1.9
Eastern Europe	718	0.4	679	0.4
Asia	16,665	8.9	25,207	14.8
Pacific Rim	16,244	8.7	24,464	14.4
Other Asia	421	0.2	743	0.4
Caribbean	525	0.3	482	0.3
Latin America	3,171	1.7	5,981	3.5
Mexico	825	0.4	3,710	2.2
Middle East	1,402	0.7	1,084	0.6
Africa	1,074	0.6	1,486	0.9
Statistical Discrepancy	192	0.1	3,186	1.9
Total	187,348	100.0	169,951	100.0

Note: Figures may not add to totals due to rounding.

Sources: Statistics Canada and Ontario Ministry of Economic Development and Trade

1994 ONTARIO ECONOMIC OUTLOOK

Table 26 **Canada, Selected Financial Indicators, 1981-1993**

	(per cent)						
	1981	1982	1983	1984	1985	1986	1987
Interest Rates							
Bank Rate	17.9	14.0	9.6	11.3	9.6	9.2	8.4
Prime Rate	19.3	15.8	11.2	12.1	10.6	10.5	9.5
10-Year Government Bonds	15.2	14.3	11.8	12.8	11.0	9.5	9.9
Three-Month T-Bills	17.7	13.7	9.3	11.1	9.4	9.0	8.1
Mortgage Rates							
5-Year Rate	18.1	17.9	13.3	13.6	12.2	11.2	11.1
1-Year Rate	18.1	16.9	11.0	12.0	10.3	10.2	9.9
Household Debt Burden*							
Consumer	20.0	17.9	17.1	16.7	17.3	18.4	19.3
Mortgage	41.0	37.5	37.2	37.0	36.8	39.4	43.1
Total	61.0	55.5	54.3	53.7	54.1	57.8	62.4

Table 26 (continued)

	(per cent)					
	1988	1989	1990	1991	1992	1993
Interest Rates						
Bank Rate	9.7	12.3	13.0	9.0	6.8	5.1
Prime Rate	10.8	13.3	14.1	9.9	7.5	5.9
10-Year Government Bonds	10.2	9.9	10.9	9.8	8.8	7.8
Three-Month T-Bills	9.5	12.1	12.8	8.7	6.6	4.8
Mortgage Rates						
5-Year Rate	11.6	12.1	13.2	11.2	9.5	8.7
1-Year Rate	10.8	12.9	13.4	10.1	7.9	6.9
Household Debt Burden*						
Consumer	20.4	20.8	21.6	21.6	21.1	20.9
Mortgage	45.7	48.3	52.8	55.5	59.3	62.1
Total	66.2	69.1	74.4	77.1	80.4	83.0

* Debt as a share of disposable income.

Note: All data are annual averages.

Source: Statistics Canada and Bank of Canada

Table 27**G-7, Exchange Rates, 1981-1993**

	(Foreign currency per Canadian dollar)						
	1981	1982	1983	1984	1985	1986	1987
France	4.5045	5.2910	6.1728	6.7114	6.5359	4.9751	4.5249
Germany	1.8797	1.9646	2.0704	2.1930	2.1368	1.5552	1.3532
Italy	943.40	1098.90	1234.57	1351.35	1388.89	1063.83	980.39
Japan	183.49	201.21	192.68	183.15	173.31	120.48	108.81
United Kingdom	0.4115	0.4634	0.5350	0.5787	0.5647	0.4907	0.4602
United States	0.8340	0.8104	0.8117	0.7722	0.7321	0.7199	0.7541

Table 27 (continued)

	(Foreign currency per Canadian dollar)					
	1988	1989	1990	1991	1992	1993
France	4.8309	5.3763	4.6512	4.9020	4.3668	4.3860
Germany	1.4225	1.5848	1.3812	1.4409	1.2887	1.2804
Italy	1052.63	1162.79	1020.41	1075.27	1020.41	1219.51
Japan	104.06	116.28	123.46	117.23	104.71	85.84
United Kingdom	0.4560	0.5152	0.4803	0.4931	0.4695	0.5160
United States	0.8123	0.8446	0.8569	0.8726	0.8271	0.7752

Note: All data are annual averages.

Source: Bank of Canada

1994 ONTARIO ECONOMIC OUTLOOK

Table 28 **Ontario, Selected Demographic Characteristics, 1971-2021**

	Actual			Projections		
	1971	1981	1991	2001	2011	2021
Total Population (000s)	7,868	8,838	10,472	12,186	13,780	15,159
Annual Average Growth						
Over Preceding Decade (%)	2.1	1.2	1.7	1.5	1.2	1.0
Median Age (Years)	27.1	30.4	33.2	36.8	39.7	41.4
Age Group Shares (%)						
0-14	28.3	21.6	20.2	19.5	17.3	16.3
15-24	18.4	19.1	14.5	12.7	12.9	11.7
25-44	26.0	29.5	34.3	32.1	27.8	26.7
45-64	19.0	19.9	19.5	23.0	27.9	27.5
65-74	5.1	6.1	6.9	6.9	7.5	10.2
75+	3.2	3.8	4.6	5.8	6.7	7.6
Total Fertility Rate	2.1	1.6	1.7	1.7	1.7	1.7
Life Expectancy (Years)						
Male	69.6	72.3	75.0	76.9	78.2	78.8
Female	76.8	79.0	80.9	81.9	84.1	84.4
Families (000s)	1,917	2,335	2,800	3,475	3,970	n.a.
Households (000s)	2,276	3,043	3,778	4,678	5,419	n.a.

Note: Population, families and households figures reflect adjustments for net census undercoverage, non-permanent residents and returning Canadians.

Sources: Statistics Canada and Ontario Ministry of Finance

Table 29 **Ontario, Components of Population Growth, 1982/83-1993/94**

	(thousands)					
	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
Population at Beginning of Period	8,951.4	9,073.4	9,206.2	9,334.4	9,477.2	9,684.9
Births	126.8	128.0	131.9	133.5	134.9	135.7
Deaths	64.9	64.1	66.4	67.1	67.4	70.2
Immigrants	44.9	40.1	40.3	43.1	70.2	85.2
Emigrants	27.0	26.1	24.7	22.5	21.0	17.9
Interprovincial Arrivals	87.0	90.8	87.1	89.7	104.6	99.2
Interprovincial Departures	61.7	50.5	53.1	57.0	58.5	68.7
Net Non-Permanent Residents	3.0	1.7	-0.1	10.4	32.3	24.9
Population Growth During Period	122.0	132.8	128.2	142.8	207.7	199.5
Population at End of Period	9073.4	9,206.2	9,334.4	9,477.2	9,684.9	9,884.4
Population Growth (%)	1.4	1.5	1.4	1.5	2.2	2.1

Table 29 (continued)

	(thousands)					
	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94
Population at Beginning of Period	9,884.4	10,151.0	10,341.4	10,471.5	10,645.8	10,813.2
Births	140.8	150.1	150.6	152.1	149.1	147.6
Deaths	69.7	71.3	71.5	73.6	74.8	77.0
Immigrants	98.3	108.6	113.9	128.3	144.7	115.9
Emigrants	17.5	16.7	18.6	19.5	18.6	19.0
Interprovincial Arrivals	89.0	84.1	73.8	70.2	62.4	88.1
Interprovincial Departures	80.7	94.3	84.7	81.7	75.5	99.2
Net Non-Permanent Residents	95.4	20.0	-43.8	-11.2	-29.6	-51.6
Population Growth During Period	266.6	190.4	130.0	174.4	167.4	114.6
Population at End of Period	10,151.0	10,341.4	10,471.5	10,645.8	10,813.2	10,927.8
Population Growth (%)	2.7	1.9	1.3	1.7	1.6	1.1

Notes: 1. Data are from July 1 to June 30.

2. The sum of the components may not equal the total change in population due to residual errors in estimation and the exclusion of returning Canadians.

Source: Statistics Canada

1994 ONTARIO ECONOMIC OUTLOOK

Table 30

Ontario, Labour Force, 1981-1994

	1981	1982	1983	1984	1985	1986	1987
Labour Force (000s)	4,463	4,502	4,561	4,655	4,758	4,862	4,992
Annual Labour Force Growth (%)	2.6	0.9	1.3	2.1	2.2	2.2	2.7
Participation Rate (%)							
Male	80.4	79.3	78.6	78.5	78.7	78.9	78.9
Female	55.5	55.9	56.5	57.4	58.1	58.6	59.7
Share of Labour Force (%)							
Youth (15-24)	24.9	24.0	23.5	23.1	22.5	22.0	21.6
Older Worker (45+)	28.4	28.3	27.8	27.4	27.6	26.8	26.9

Table 30 (continued)

	1988	1989	1990	1991	1992	1993	1994*
Labour Force (000s)	5,118	5,214	5,268	5,276	5,286	5,362	5,380
Annual Labour Force Growth (%)	2.5	1.9	1.0	0.2	0.2	1.4	0.2
Participation Rate (%)							
Male	78.7	78.8	77.8	76.3	75.2	74.7	73.8
Female	61.0	61.2	61.4	60.8	59.7	59.5	58.8
Share of Labour Force (%)							
Youth (15-24)	20.6	20.0	19.1	18.2	17.6	16.8	16.4
Older Worker (45+)	27.0	26.9	27.2	27.3	28.3	28.8	29.4

* 1994 data are for the first ten months.

Note: Growth rates compare first ten months of 1993 and 1994.

Sources: Statistics Canada and Ontario Ministry of Finance

Table 31**Ontario, Employment, 1981-1994**

	1981	1982	1983	1984	1985	1986	1987
Total Employment (000s)	4,171	4,063	4,089	4,235	4,377	4,524	4,689
Male	2,427	2,329	2,322	2,396	2,465	2,541	2,621
Female	1,744	1,735	1,767	1,839	1,912	1,983	2,067
Annual Employment Growth (%)	2.9	-2.6	0.6	3.6	3.4	3.4	3.6
Net Job Creation (000s)	118	-108	26	146	142	147	165
Manufacturing Employment (% of total)	24.8	23.4	22.8	23.2	22.8	22.4	22.0
Services Employment (% of total)	65.1	67.2	67.8	67.6	67.9	68.3	68.4
Part-Time (% of total)	14.5	15.3	16.0	15.7	15.7	15.5	15.2
Average Hours Worked Per Week	37.2	37.0	37.4	37.6	37.3	37.7	37.7

Table 31 (continued)

	1988	1989	1990	1991	1992	1993	1994*
Total Employment (000s)	4,862	4,949	4,937	4,770	4,714	4,793	4,849
Male	2,688	2,730	2,693	2,576	2,536	2,589	2,587
Female	2,174	2,219	2,244	2,193	2,178	2,204	2,194
Annual Employment Growth (%)	3.7	1.8	-0.2	-3.4	-1.2	1.7	1.1
Net Job Creation (000s)	173	87	-12	-167	-56	79	54
Manufacturing Employment (% of total)	21.1	20.8	19.6	18.7	17.8	17.5	17.4
Services Employment (% of total)	69.4	69.1	70.6	72.2	73.5	74.0	74
Part-time (% of total)	15.6	15.5	15.8	16.9	17.3	18.1	17.5
Average Hours Worked Per Week	38.2	38.6	38.1	37.3	36.7	37.3	37.7

* 1994 data are for the first ten months.

Note: Growth rates compare first ten months of 1993 and 1994.

Sources: Statistics Canada and Ontario Ministry of Finance

1994 ONTARIO ECONOMIC OUTLOOK

Table 32

Ontario, Unemployment, 1981-1994

	1981	1982	1983	1984	1985	1986	1987
Total Unemployment (000s)	292	439	472	420	381	338	304
Unemployment Rate (%)	6.6	9.7	10.3	9.0	8.0	7.0	6.1
Male	6.0	9.7	10.4	8.7	7.6	6.6	5.4
Female	7.4	9.8	10.3	9.5	8.5	7.4	6.9
Toronto CMA ¹	4.9	8.1	9.0	7.8	6.7	5.5	4.5
Northern Ontario ¹	7.9	13.6	13.5	13.4	10.5	11.0	9.7
Youth (15-24)	12.3	17.2	17.8	14.9	13.1	11.5	9.8
Older Worker (45+)	3.7	6.2	6.6	6.1	5.5	4.6	4.5
Unemployment (% of total)							
Long-Term (27 weeks+)	14.0	16.4	25.8	22.4	19.7	18.0	16.4
Youth (15-24) Share	46.9	42.4	40.5	38.1	36.7	36.7	34.5
Older Worker (45+) Share	16.1	18.0	17.8	18.6	18.9	17.8	19.7
Average Duration (weeks)							
Youth (15-24)	12.0	13.5	17.1	14.2	12.5	12.3	10.7
Older Worker (45+)	18.6	18.5	25.4	25.4	23.7	23.5	22.1

Table 32 (continued)

	1988	1989	1990	1991	1992	1993	1994*
Total Unemployment (000s)	256	264	331	506	572	569	531
Unemployment Rate (%)	5.0	5.1	6.3	9.6	10.8	10.6	9.9
Male	4.5	4.7	6.3	10.1	11.9	11.2	10.2
Female	5.6	5.5	6.3	9.0	9.6	9.9	9.5
Toronto CMA ¹	3.7	4.0	5.3	9.8	11.4	11.1	10.9
Northern Ontario ¹	7.8	7.4	8.2	11.2	12.7	12.2	12.1
Youth (15-24)	8.2	8.0	10.5	15.4	18.2	18.0	16.9
Older Worker (45+)	3.5	3.3	4.1	6.9	7.5	7.4	7.2
Unemployment (% of total)							
Long-Term (27 weeks+)	12.9	13.3	13.9	22.5	29.7	33.4	32.5
Youth (15-24) Share	34.0	31.8	32.0	29.2	29.7	28.5	28.1
Older Worker (45+) Share	18.8	17.8	17.5	19.6	19.6	20.0	21.4
Average Duration (weeks)							
Youth (15-24)	8.7	8.6	10.2	13.6	16.8	18.5	18.2
Older Worker (45+)	19.9	19.3	18.9	22.7	29.5	33.6	35.7

* 1994 data are for the first ten months.

Note: 1. The unemployment rate for Toronto CMA and Northern Ontario were calculated using different regional definitions beginning in 1984.

Sources: Statistics Canada and Ontario Ministry of Finance

Table 33 Ontario, Unemployment Insurance and Social Assistance, 1981-1994

	1981	1982	1983	1984	1985	1986	1987
UI Regular Beneficiaries (000s) ¹	141	259	285	241	224	194	166
Maximum Weekly Insurable Earnings (\$)	315	350	385	425	460	495	530
Maximum Weekly Entitlement (\$)	189	210	231	255	276	297	318
Premium Rate							
Employer (\$/\$100 Insurable Earnings)	2.52	2.31	3.22	3.22	3.29	3.29	3.29
Employee (\$/\$100 Insurable Earnings)	1.80	1.65	2.30	2.30	2.35	2.35	2.35
Benefits Paid to Ontario (\$ millions) ¹	1,258	2,381	2,859	2,517	2,551	2,483	2,387
Premiums Paid from Ontario (\$ millions)	1,862	1,816	2,799	3,158	3,574	3,946	4,379
Social Assistance Caseload (000s) ²	197	218	247	257	261	268	279

Table 33 (continued)

	1988	1989	1990	1991	1992	1993	1994*
UI Regular Beneficiaries (000s) ¹	169	163	222	319	322	294*	254
Maximum Weekly Insurable Earnings (\$)	565	605	640	680	710	745	780
Maximum Weekly Entitlement (\$)	339	363	384	408	426	425	429
Premium Rate							
Employer (\$/\$100 Insurable Earnings)	3.29	2.73	3.15	3.92	4.20	4.20	4.30
Employee (\$/\$100 Insurable Earnings)	2.35	1.95	2.25	2.80	3.00	3.00	3.07
Benefits Paid to Ontario (\$ millions) ¹	2,370	2,470	3,419	5,362	5,845	5,397	3,289
Premiums Paid from Ontario (\$ millions)	4,804	4,346	5,281	6,058	7,279	7,608*	n.a.
Social Assistance Caseload (000s) ²	289	307	366	499	608	660	678

* Preliminary

Notes: 1. For 1994, UI Regular Beneficiaries and Benefits Paid to Ontario are preliminary and cover the first eight months. Unemployment benefits paid to Ontario are cumulative.

2. Social Assistance caseload figure covers the first ten months of 1994.

Sources: Statistics Canada, Ontario Ministry of Finance and Ontario Ministry of Community and Social Services

1994 ONTARIO ECONOMIC OUTLOOK

Table 34 **Ontario, Major Layoffs & Strikes and Lockouts, 1981-1994**

	1981	1982	1983	1984	1985	1986	1987
Major Layoffs (no. of establishments) ¹	130	235	120	122	116	92	92
Workers Affected by Major Layoffs	19,724	46,047	17,213	14,824	13,902	13,503	13,925
Share of Workers Laid-Off Due to Closures (%)	35.0	24.2	38.5	53.1	55.5	60.2	72.6
Person Days Lost Due to Strikes and Lockouts (000s) ²	2,259	2,207	760	1,414	1,232	941	1,109

Table 34 (continued)

	1988	1989	1990	1991	1992	1993	1994*
Major Layoffs (no. of establishments) ¹	97	139	202	221	209	131	85
Workers Affected by Major Layoffs	13,266	17,526	31,787	25,957	27,529	15,798	9,903
Share of Workers Laid-Off Due to Closures (%)	69.8	72.4	64.7	61.3	66.6	70.3	70.3
Person Days Lost Due to Strikes and Lockouts (000s) ²	1,362	869	2,958	454	578	371	450

* 1994 data are for the first ten months.

Notes: 1. Major Layoffs are those affecting at least 50 employees.

2. Major Layoffs and Strikes and Lockouts are cumulative data.

Sources: Statistics Canada, Ontario Ministry of Finance and Ontario Ministry of Labour

Table 35**Ontario, Labour Compensation, 1981-1994**

	1981	1982	1983	1984	1985	1986	1987
Average Weekly Earnings(\$)	318.93	350.06	376.75	396.10	414.78	433.38	453.48
Increase (%)	11.7	9.8	7.6	5.1	4.7	4.5	4.6
CPI Inflation (%)	12.0	10.7	6.2	4.9	4.1	4.4	5.1
AWE Increase Less CPI Inflation (%)	-0.3	-0.9	1.4	0.2	0.6	0.1	-0.5
AWE - Manufacturing (\$)	382.49	422.52	456.36	481.60	507.83	524.57	548.16
Increase (%)	12.2	10.5	8.0	5.5	5.4	3.3	4.5
Increase Less CPI Inflation (%)	0.2	-0.2	1.8	0.6	1.3	-1.1	-0.6
Collective Bargaining Settlements (% Increase)							
500+	12.2	10.4	6.2	4.5	5.0	4.4	4.9
Public	12.6	11.9	6.2	5.4	5.2	5.0	4.9
Private	11.2	8.6	6.0	4.0	4.7	3.7	4.8
Minimum Wage at Year End (\$/Hour)	3.50	3.50	3.50	4.00	4.00	4.35	4.55

Table 35 (continued)

	1988	1989	1990	1991	1992	1993	1994*
Average Weekly Earnings(\$)	477.53	504.87	526.40	553.83	576.45	588.73	602.72
Increase (%)	5.3	5.7	4.3	5.2	4.1	2.1	2.6
CPI Inflation (%)	4.7	5.8	4.8	4.6	1.1	1.7	0.2
AWE Increase Less CPI Inflation (%)	0.6	-0.1	-0.5	0.6	3.0	0.4	2.4
AWE - Manufacturing (\$)	574.37	599.61	632.12	663.43	696.94	715.94	735.89
Increase (%)	4.8	4.4	5.4	5.0	5.1	2.7	3.0
Increase Less CPI Inflation (%)	0.1	-1.4	0.6	0.4	4.0	1.0	2.8
Collective Bargaining Settlements (% Increase)							
500+	5.3	6.5	6.5	5.7	2.4	1.4	0.6
Public	5.0	6.5	7.0	6.1	2.2	0.6	0.0
Private	5.5	6.2	6.2	4.2	2.5	2.4	1.0
Minimum Wage at Year End (\$/Hour)	4.75	5.00	5.40	6.00	6.35	6.35	6.70

Notes: * Growth rates compare first eight months of 1993 and 1994

1. AWE and Collective Bargaining Settlements for 1994 cover January to August.

2. Average Weekly Earnings (AWE) includes overtime.

Sources: Statistics Canada, Labour Canada and Ontario Ministry of Finance

1994 ONTARIO ECONOMIC OUTLOOK

Table 36 **Ontario, Employment by Occupation, 1981-1993**

	(thousands)						
	1981	1982	1983	1984	1985	1986	1987
Managerial/Professional	992	1,026	1,068	1,175	1,264	1,295	1,374
Clerical	767	737	718	742	760	757	796
Sales	420	435	437	405	400	438	438
Service	554	545	563	552	582	586	591
Primary	188	166	173	162	156	150	150
Processing	715	664	634	683	675	707	715
Construction	222	195	196	209	213	243	262
Transport Operating	143	136	133	139	154	152	169
Materials Handling	170	159	166	167	172	196	193
Total	4,171	4,063	4,089	4,235	4,377	4,524	4,689

Table 36 (continued)

	(thousands)					
	1988	1989	1990	1991	1992	1993
Managerial/Professional	1,470	1,478	1,521	1,570	1,574	1,618
Clerical	848	852	853	803	781	756
Sales	462	461	483	454	461	474
Service	601	604	607	591	614	636
Primary	153	153	144	140	138	151
Processing	712	747	696	638	599	609
Construction	265	295	291	241	225	231
Transport Operating	164	176	172	164	159	159
Materials Handling	187	184	168	169	163	159
Total	4,862	4,949	4,937	4,770	4,714	4,793

Source: Statistics Canada

Table 37 **Ontario, Distribution of Employment by Occupation, 1981-1993**

	1981	1982	1983	1984	1985	1986	1987
Total Employment (000s)	4,171	4,063	4,089	4,235	4,377	4,524	4,689
Occupational Shares (%)							
Managerial/Professional	23.8	25.3	26.1	27.7	28.9	28.6	29.3
Clerical	18.4	18.1	17.6	17.5	17.4	16.7	17.0
Sales	10.1	10.7	10.7	9.6	9.1	9.7	9.3
Service	13.3	13.4	13.8	13.0	13.3	13.0	12.6
Primary	4.5	4.1	4.2	3.8	3.6	3.3	3.2
Processing	17.1	16.3	15.5	16.1	15.4	15.6	15.2
Construction	5.3	4.8	4.8	4.9	4.9	5.4	5.6
Transport Operating	3.4	3.3	3.3	3.3	3.5	3.4	3.6
Materials Handling	4.1	3.9	4.1	3.9	3.9	4.3	4.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table 37 (continued)

	1988	1989	1990	1991	1992	1993
Total Employment (000s)	4,862	4,949	4,937	4,770	4,714	4,793
Occupational Shares (%)						
Managerial/Professional	30.2	29.9	30.8	32.9	33.4	33.8
Clerical	17.4	17.2	17.3	16.8	16.6	15.8
Sales	9.5	9.3	9.8	9.5	9.8	9.9
Service	12.4	12.2	12.3	12.4	13.0	13.3
Primary	3.1	3.1	2.9	2.9	2.9	3.2
Processing	14.6	15.1	14.1	13.4	12.7	12.7
Construction	5.5	6.0	5.9	5.1	4.8	4.8
Transport Operating	3.4	3.6	3.5	3.4	3.4	3.3
Materials Handling	3.8	3.7	3.4	3.5	3.5	3.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Statistics Canada

1994 ONTARIO ECONOMIC OUTLOOK

Table 38 Ontario, Employment by Sector & Selected Industries

	Per cent	(thousands)			Annual Per cent Change		
	Share*	1989	1991	1993	1984/89	1989/91	1991/93
Total Economy	100.0	4,949	4,770	4,793	3.2	-1.8	0.2
Autos and Parts	2.9	147	135	139	1.9	-4.3	1.5
Business Equipment and Related Services	4.6	240	226	220	3.1	-2.9	-1.4
Business Equipment	2.6	169	138	126	2.1	-9.5	-4.6
Computing Services	0.7	30	41	34	8.4	16.9	-8.9
Architectural, Engineering and Technical Services	1.3	41	47	60	3.8	7.1	13.0
Financial, Business and Distribution Services	19.4	983	934	930	4.5	-2.5	-0.2
Finance and Insurance	4.7	213	215	223	1.9	0.5	1.8
Business Services	6.3	300	310	302	8.3	1.7	-1.3
Wholesale Trade	4.2	202	199	200	3.0	-0.7	0.3
Transportation	3.2	171	162	152	2.7	-2.7	-3.1
Communications	2.3	127	101	110	6.7	-10.8	4.4
Industrial Materials	4.6	282	245	221	1.1	-6.7	-5.0
Fabricated Metal Products	1.7	103	88	80	2.7	-7.6	-4.4
Steel	0.6	38	32	29	-3.5	-7.6	-5.4
Plastics	0.6	40	37	29	5.1	-3.7	-11.4
Chemicals	1.0	56	55	49	1.6	-0.5	-5.6
Agriculture & Resource-Based	7.8	410	375	376	0.2	-4.4	0.1
Agriculture	2.6	118	110	123	-1.3	-3.4	5.7
Food, Beverages & Tobacco	1.9	99	93	92	0.3	-2.8	-0.5
Forestry, Wood & Paper Products	1.4	84	70	69	0.7	-9.3	-0.4
Mining and Non-Ferrous Metals	0.5	30	23	22	0.3	-13.0	-2.0
Energy-Related	1.1	58	59	52	2.0	0.9	-6.6

Table 38 (continued) Ontario, Employment by Sector & Selected Industries

	Per cent	(thousands)		Annual Per cent Change			
	Share*	1989	1991	1993	1984/89	1989/91	1991/93
Construction-Related	7.7	433	392	369	7.8	-4.9	-3.0
Construction	5.2	327	276	251	8.6	-8.1	-4.6
Real Estate	2.5	106	116	118	5.5	4.6	0.9
Retail, Consumer Products and Services	20.3	1,016	970	972	2.0	-2.3	0.1
Retail Trade	12.7	620	613	609	2.7	-0.6	-0.3
Consumer Products	2.6	184	146	124	-1.3	-10.8	-7.8
Leisure and Tourism	8.6	393	395	413	3.9	0.2	2.3
Accommodation, Food and Beverage Services	5.9	277	272	281	4.3	-0.9	1.6
Amusement & Recreation Services	1.6	61	67	75	4.5	4.8	5.8
Broader Public Sector	24.1	1,044	1,098	1,154	3.3	2.6	2.5
Health and Social Services	9.8	404	447	472	4.6	5.2	2.8
Educational Services	7.1	311	328	342	3.3	2.7	2.1
Government Administration	6.6	309	302	315	2.0	-1.1	2.1

Notes: * Based on 1993 data.

1. Employment data is re-configured to conform as much as possible with the sector definitions used in Chapter 5.
2. Business equipment includes machinery, transportation equipment other than cars, trucks and buses, non-household electrical equipment and scientific and professional equipment.
3. Chemicals include industrial and agricultural chemicals, plastic and synthetic resins, inks, adhesives and miscellaneous chemicals.
4. Energy-related includes crude oil, natural gas, refined petroleum and gas products, and electricity.
5. Real estate includes insurance agent offices.
6. Consumer products include textile and leather products, clothing, household furniture and electrical goods, drugs, cosmetics, cleaners, paints, jewelry, toys and sporting goods.

Sources: Statistics Canada and Ministry of Finance estimates

1994 ONTARIO ECONOMIC OUTLOOK

Table 39

Ontario, Population by Selected Area, 1991

	Population 1991	Per cent of Ontario	% Change 1986-1991
Ontario	10,084,885	100.0	10.8
Economic Regions			
North	822,450	8.2	3.0
Southwest	1,385,216	13.7	7.2
Central	2,245,040	22.3	11.8
East	1,396,423	13.8	9.9
GTA	4,235,756	42.0	13.5
Census Metropolitan Areas/ Census Agglomerations			
Barrie	92,165	0.9	32.5
Belleville	95,000	0.9	6.3
Brantford	97,106	1.0	7.3
Brockville	38,554	0.4	3.9
Chatham	43,557	0.4	3.2
Cobourg	15,079	0.1	14.3
Collingwood	13,505	0.1	11.0
Cornwall	53,545	0.5	3.5
Elliot Lake	15,039	0.1	-21.1
Guelph	97,213	1.0	13.1
Haileybury	14,994	0.1	1.4
Hamilton	599,760	5.9	7.7
Hawkesbury	9,706	0.1	..
Kenora	15,910	0.2	2.8
Kingston	136,401	1.4	11.5
Kirkland Lake	10,440	0.1	-10.0
Kitchener	356,421	3.5	14.5
Leamington	35,792	0.4	3.9
Lindsay	20,723	0.2	15.7
London	381,522	3.8	11.5
Midland	40,377	0.4	13.9
North Bay	63,285	0.6	10.2

Table 39 (continued)

Ontario, Population by Selected Area, 1991

	Population 1991	Per cent of Ontario	% Change 1986-1991
Orillia	34,067	0.3	9.0
Oshawa	240,104	2.4	18.0
Ottawa	693,900	6.9	12.1
Owen Sound	30,286	0.3	10.7
Pembroke	23,390	0.2	1.3
Peterborough	98,060	1.0	12.6
Port Hope	11,505	0.1	9.0
Sarnia-Clearwater	87,870	0.9	2.5
Sault Ste. Marie	85,008	0.8	0.5
Simcoe	15,539	0.2	8.7
St. Catharines-Niagara	364,552	3.6	6.2
Stratford	27,666	0.3	4.6
Sudbury	157,613	1.6	5.9
Thunder Bay	124,427	1.2	1.8
Tillsonburg	12,019	0.1	11.9
Timmins	47,461	0.5	1.7
Toronto	3,893,046	38.6	13.4
Wallaceburg	11,846	0.1	4.2
Windsor	262,075	2.6	3.2
Woodstock	30,075	0.3	14.0

.. Amount too small to be expressed.

- Notes: 1. Hawkesbury, Pembroke and Ottawa show data for the Ontario portion only.
2. For composition of regions and GTA, see description at beginning of Appendix.
3. The 1991 Census counted non-permanent residents for the first time. These are persons in Canada on student or employment authorizations, Minister's permits and as refugee claimants.
4. Figures for 1991 do not include data for incompletely enumerated communities.
5. The populations of CMAs and CAs in 1986 are based on 1991 boundaries. A CMA is an urbanized core of 100,000 population (based on the previous census) together with its main labour market area. A CA is an urbanized core with a population of 10,000-99,999 together with its main labour market area.
6. The numbers in this table are based on unadjusted 1991 Census data. The most recent estimate of Ontario's population (as of July 1, 1994) is 10.9 million. This estimate includes adjustments that were made to the 1991 Census count for the Census' undercoverage and the addition of returning Canadians. Population estimates for 1994 are not available at a sub-provincial level.

Source: Statistics Canada, 1991 Census

1994 ONTARIO ECONOMIC OUTLOOK

Table 40 **Ontario, Location Quotients by Industry, 1991**

(Indexed to 100 for Ontario)							
	Agriculture	Other Primary ¹	Manu- facturing	Con- struction	TCU ²	Trade ³	FIRE ⁴
Ontario	100	100	100	100	100	100	100
Economic Regions							
North	54	835	67	99	118	96	52
Southwest	275	64	115	103	93	100	74
Central	153	51	123	117	85	105	76
East	106	42	58	95	97	88	67
GTA	27	31	103	93	108	102	138
Census Metropolitan Areas/ Census Agglomerations							
Barrie	73	21	100	129	120	122	84
Belleville	83	17	104	94	97	106	68
Brantford	72	35	145	91	67	122	60
Brockville	136	31	124	93	97	96	49
Chatham	74	86	112	88	99	119	51
Cobourg	16	48	153	76	94	101	51
Collingwood	66	79	95	158	53	106	69
Cornwall	26	110	128	110	97	107	55
Elliot Lake	14	3805	17	45	37	82	50
Guelph	90	19	137	98	60	90	79
Haileybury	130	359	44	126	148	116	47
Hamilton	61	36	129	101	79	108	93
Hawkesbury	29	101	188	99	35	118	29
Kenora	22	158	59	90	117	87	40
Kingston	62	28	48	107	73	87	67
Kirkland Lake	22	1059	19	73	95	98	39
Kitchener	57	22	152	102	69	106	103
Leamington	521	155	147	91	71	91	53
Lindsay	185	55	118	93	81	111	66
London	90	23	93	96	87	107	111

Table 40 (continued) Ontario, Location Quotients by Industry, 1991

	(Indexed to 100 for Ontario)						
	Agriculture	Other Primary ¹	Manu- facturing	Constr- uction	TCU ²	Trade ³	FIRE ⁴
Midland	92	47	150	129	86	102	59
North Bay	19	113	42	118	136	105	58
Orillia	44	89	82	121	75	118	74
Oshawa	53	20	144	86	136	95	90
Ottawa	38	19	34	78	101	81	78
Owen Sound	136	32	85	124	80	117	80
Pembroke	57	76	65	104	69	107	44
Peterborough	95	73	90	118	90	112	73
Port Hope	47	96	158	101	105	103	48
Sarnia-Clearwater	51	169	124	132	96	105	56
Sault Ste. Marie	26	112	120	81	95	100	59
Simcoe	178	80	99	99	94	119	65
St. Catharines-Niagara	125	60	124	107	84	101	70
Stratford	26	12	180	90	55	105	82
Sudbury	18	1206	48	107	91	105	64
Thunder Bay	44	245	66	103	143	101	62
Tillsonburg	211	32	160	97	53	105	77
Timmins	20	2245	35	101	112	97	47
Toronto	25	31	100	94	107	102	141
Wallaceburg	68	78	261	73	50	81	46
Windsor	44	31	158	80	75	98	68
Woodstock	65	36	168	66	73	113	70

Notes: 1. Includes Fishing, Trapping, Logging, Forestry and Mining.

2. Includes Transportation and Storage Industries and Communication and other Utility industries.

3. Includes Wholesale and Retail Trade.

4. Includes Finance, Insurance and Real Estate industries.

5. A Location Quotient measures the degree of regional specialization in a certain industry relative to the extent to which this industry is represented in the provincial economy. A location quotient of 100 indicates that a region mirrors the provincial share of employment in that industry.

6. A score above 100 indicates specialization for the region in that industry.

7. See Table 39 for notes about Census data.

Sources: Statistics Canada, 1991 Census of Population and the Ontario Ministry of Finance.

1994 ONTARIO ECONOMIC OUTLOOK

Table 40 (continued)

Ontario, Location Quotients by Industry, 1991

	Business Services	Public Admini- stration	Education	Health & Welfare	Accom- modation & Food	Other Services
Ontario	100	100	100	100	100	100
Economic Regions						
North	44	132	117	120	136	85
Southwest	57	63	97	118	108	96
Central	67	74	106	102	107	96
East	105	237	110	110	101	96
GTA	137	75	92	87	88	107
Census Metropolitan Areas/ Census Agglomerations						
Barrie	79	89	91	99	100	92
Belleville	56	176	92	96	124	93
Brantford	58	64	88	124	115	100
Brockville	62	91	105	143	105	101
Chatham	46	81	88	132	139	100
Cobourg	65	102	106	121	120	90
Collingwood	58	81	106	129	175	117
Cornwall	55	105	97	118	119	80
Elliot Lake	17	87	132	120	120	88
Guelph	77	77	180	106	93	89
Haileybury	49	105	134	119	137	88
Hamilton	80	69	116	111	92	102
Hawkesbury	40	73	96	92	91	94
Kenora	38	175	73	146	154	55
Kingston	67	185	191	153	131	104
Kirkland Lake	79	132	144	187	124	98
Kitchener	78	57	123	82	96	96
Leamington	38	45	67	83	118	82
Lindsay	66	72	111	123	106	80
London	78	69	124	147	114	97

Table 40 (continued) Ontario, Location Quotients by Industry, 1991

	Business Services	Public Admini- stration	Education	Health & Welfare	Accom- modation & Food	Other Services
Midland	39	97	78	127	82	89
North Bay	57	190	130	128	142	104
Orillia	54	110	86	136	160	98
Oshawa	76	91	95	95	87	80
Ottawa	141	315	107	101	98	99
Owen Sound	69	79	90	145	135	96
Pembroke	123	130	115	185	105	95
Peterborough	74	66	130	125	125	109
Port Hope	63	69	90	107	129	72
Sarnia-Clearwater	65	53	93	112	120	128
Sault Ste. Marie	52	107	116	134	136	108
Simcoe	63	94	81	129	113	99
St. Catharines-Niagara	69	76	93	103	154	104
Stratford	35	58	85	107	108	143
Sudbury	49	133	134	111	112	92
Thunder Bay	59	142	112	145	127	85
Tillsonburg	69	58	95	106	74	83
Timmins	53	90	103	114	125	84
Toronto	141	74	91	86	88	109
Wallaceburg	26	46	56	95	99	88
Windsor	67	64	109	115	126	98
Woodstock	41	60	76	130	116	94

Notes: 1. Includes Fishing, Trapping, Logging, Forestry and Mining.

2. Includes Transportation and Storage Industries and Communication and other Utility industries.

3. Includes Wholesale and Retail Trade.

4. Includes Finance, Insurance and Real Estate industries.

5. A Location Quotient measures the degree of regional specialization in a certain industry relative to the extent to which this industry is represented in the provincial economy. A location quotient of 100 indicates that a region mirrors the provincial share of employment in that industry.

6. A score above 100 indicates specialization for the region in that industry.

7. See Table 39 for notes about Census data.

Sources: Statistics Canada, 1991 Census of Population and the Ontario Ministry of Finance.

1994 ONTARIO ECONOMIC OUTLOOK

Table 41 **Ontario, Composition of Total Income, 1990**

	(per cent)		
	Employment Income	Government Transfer Payments	Other Income
Ontario	79.0	9.7	11.3
Census Metropolitan Areas/ Census Agglomerations			
Barrie	79.8	9.7	10.5
Belleville	73.9	12.7	13.4
Brantford	75.6	13.6	10.8
Brockville	73.0	12.7	14.3
Chatham	74.7	12.9	12.3
Cobourg	73.4	13.0	13.6
Collingwood	69.4	15.0	15.6
Cornwall	74.2	15.6	10.2
Elliot Lake	79.0	13.5	7.5
Guelph	79.3	9.4	11.3
Haileybury	72.7	15.8	11.6
Hamilton	78.7	10.5	10.8
Hawkesbury	71.8	18.3	9.9
Kenora	75.8	11.8	12.3
Kingston	75.7	10.6	13.7
Kirkland Lake	71.0	17.9	11.0
Kitchener	80.6	9.4	10.0
Leamington	73.2	13.2	13.6
Lindsay	69.6	15.4	14.9
London	77.5	10.5	12.0

Table 41 (continued) Ontario, Composition of Total Income, 1990

	(per cent)		
	Employment Income	Government Transfer Payments	Other Income
Midland	72.7	14.2	13.1
North Bay	76.3	12.9	10.8
Orillia	70.9	14.4	14.6
Oshawa	82.7	8.3	9.0
Ottawa	79.8	7.5	12.7
Owen Sound	72.6	13.8	13.7
Pembroke	71.7	16.1	12.2
Peterborough	71.4	13.9	14.8
Port Hope	74.8	11.0	14.1
Sarnia-Clearwater	77.2	10.2	12.6
Sault Ste. Marie	74.1	14.9	11.0
Simcoe	73.2	13.6	13.2
St. Catharines-Niagara	74.0	13.3	12.7
Stratford	74.6	12.3	13.1
Sudbury	78.8	11.5	9.7
Thunder Bay	76.5	12.3	11.2
Tillsonburg	68.8	15.4	15.8
Timmins	80.1	12.5	7.3
Toronto	82.1	7.5	10.5
Wallaceburg	75.7	14.4	9.9
Windsor	76.0	12.3	11.7
Woodstock	74.9	13.2	12.0

Notes: 1. Percentages may not add to 100 due to rounding.

2. Hawkesbury, Pembroke and Ottawa show data for the Ontario portion only.

3. The 1991 Census counted non-permanent residents for the first time. These are persons in Canada on student or employment authorizations, Minister's permits and as refugee claimants.

4. Figures for 1991 do not include data for incompletely enumerated communities.

5. A CMA is an urbanized core of at least 100,000 population (based on the previous Census) together with its main labour market area. A CA is an urbanized core with a population of 10,000-99,999 together with its main labour market area.

6. Data are based on 20 per cent sample.

Source: Statistics Canada, 1991 Census

1994 ONTARIO ECONOMIC OUTLOOK

Table 42 **Ontario, Share of Payroll by Industry, 1992**

	(per cent)				
	Agriculture	Other Primary ¹	Manu- facturing	Construction	Distributive Services ²
Ontario	1.0	1.3	21.6	4.5	13.5
Census Metropolitan Areas/ Census Agglomerations					
Barrie	0.9	0.2	17.5	4.4	15.9
Belleville	1.1	0.6	22.5	3.9	10.5
Brantford	1.0	0.4	34.7	3.7	10.1
Brockville	..	..	29.2	3.4	11.6
Chatham	2.4	0.2	23.1	2.9	17.5
Cobourg	..	..	37.7	3.4	7.9
Collingwood	0.9	0.4	19.2	5.0	5.7
Cornwall	1.1	0.1	26.1	5.3	9.9
Elliot Lake	0.3	..	..	2.0	4.2
Guelph	1.6	0.7	31.9	4.1	6.9
Haileybury	1.1	1.3	10.7	9.2	18.7
Hamilton	0.9	0.5	27.4	4.7	11.8
Kenora	0.7	..	..	5.3	13.8
Kingston	0.4	0.1	11.8	5.1	7.3
Kitchener	0.9	0.2	32.9	5.4	11.2
Leamington	8.2	2.0	36.2	4.6	7.9
London	1.0	0.4	20.4	4.6	11.8

Table 42 (continued)

Ontario, Share of Payroll by Industry, 1992

	(per cent)				
	Agriculture	Other Primary ¹	Manu- facturing	Construction	Distributive Services ²
Midland	0.6	0.5	24.4	3.5	16.6
North Bay	0.6	0.8	10.4	4.9	16.0
Orillia	0.4	1.0	15.0	4.2	10.3
Oshawa	0.8	0.1	32.2	2.7	17.3
Ottawa	0.4	0.1	7.5	4.1	10.0
Owen Sound	..	..	21.2	3.2	13.4
Peterborough	0.6	0.8	22.8	3.8	14.6
Sarnia-Clearwater	..	..	34.5	6.4	10.1
Sault Ste. Marie	0.3	..	..	3.5	10.8
Simcoe	..	..	20.2	3.5	15.2
St. Catharines-Niagara	1.5	0.6	32.1	4.8	11.0
Stratford	..	..	35.7	4.5	7.3
Sudbury	..	..	5.1	6.1	11.7
Thunder Bay	0.4	2.1	16.4	7.9	15.6
Tillsonburg	..	..	40.9	4.3	8.8
Timmins	0.4	31.2	5.5	5.5	10.2
Toronto	0.9	0.6	20.9	4.3	15.6
Wallaceburg	..	..	54.0	2.7	15.2
Windsor	..	..	38.6	4.1	8.6
Woodstock	1.7	0.9	33.1	3.0	9.6

Notes: Data for Hawkesbury, Kirkland Lake, Lindsay, Pembroke, and Port Hope are not available.

.. Figures not available, due to confidentiality constraints.

1. Includes Fishing and Trapping industries, Logging and Forestry industries, and Mining, Quarrying and Oil Well industries.
2. Includes Transportation and Storage industries, Communication and Other Utility industries, and Wholesale Trade industries.

Sources: Statistics Canada, Small Area File and Ontario Ministry of Finance

1994 ONTARIO ECONOMIC OUTLOOK

Table 42 (continued)

Ontario, Share of Payroll by Industry, 1992

	(per cent)			
	Consumer Services ³	Business & Financial Services	Health Education & Welfare	Public Administration
Ontario	14.9	14.6	15.8	12.7
Census Metropolitan Areas/ Census Agglomerations				
Barrie	15.3	10.9	20.3	14.5
Belleville	14.0	7.0	15.4	25.0
Brantford	15.1	8.0	18.2	8.9
Brockville	11.0	7.1	16.5	19.2
Chatham	13.2	6.9	21.1	12.8
Cobourg	11.9	6.0	19.1	13.0
Collingwood	30.9	8.6	21.3	8.0
Cornwall	13.1	6.7	23.0	14.7
Elliot Lake	11.2	6.6	24.8	11.9
Guelph	13.5	9.6	24.7	6.9
Haileybury	13.6	6.8	26.4	12.3
Hamilton	15.7	10.8	17.7	10.6
Kenora	13.7	5.3	21.7	21.6
Kingston	12.9	7.7	29.3	25.4
Kitchener	12.4	12.3	18.7	5.9
Leamington	11.7	5.4	16.4	7.6
London	12.9	13.0	24.7	11.1

Table 42 (continued)

Ontario, Share of Payroll by Industry, 1992

	(per cent)			
	Consumer Services ³	Business & Financial Services	Health Education & Welfare	Public Administration
Midland	12.0	4.2	16.3	22.1
North Bay	13.1	6.7	23.7	23.7
Orillia	16.1	7.2	17.6	28.2
Oshawa	12.3	9.6	13.8	11.1
Ottawa	13.9	14.3	15.0	34.6
Owen Sound	14.7	8.1	25.4	12.4
Peterborough	15.4	8.2	24.1	9.6
Sarnia-Clearwater	12.9	8.5	15.1	9.1
Sault Ste. Marie	14.0	6.5	22.6	17.5
Simcoe	13.2	4.7	23.8	10.2
St. Catharines-Niagara	14.8	8.6	17.8	8.8
Stratford	16.3	9.8	17.5	7.4
Sudbury	14.5	6.2	19.6	12.1
Thunder Bay	17.2	6.7	20.1	13.6
Tillsonburg	11.7	8.5	15.9	5.7
Timmins	11.8	5.0	18.9	11.5
Toronto	16.0	20.3	12.7	8.7
Wallaceburg	8.7	1.9	10.9	4.1
Windsor	13.1	10.1	17.2	7.1
Woodstock	10.7	10.4	16.0	14.6

Notes: Data for Hawkesbury, Kirkland Lake, Lindsay, Pembroke, and Port Hope are not available.

.. Figures not available, due to confidentiality constraints.

1. Includes Fishing and Trapping industries, Logging and Forestry industries, and Mining, Quarrying and Oil Well industries.
2. Includes Transportation and Storage industries, Communication and Other Utility industries, and Wholesale Trade industries.
3. Includes Retail Trade industries, Accommodation, Food and Beverage Service industries and Other Service industries, excluding Membership Organization industries.

Sources: Statistics Canada, Small Area File and Ontario Ministry of Finance

1994 ONTARIO ECONOMIC OUTLOOK

Table 43 **Ontario, Employment by Labour Force Regions, 1984-1994**

	(thousands)					
	1984	1985	1986	1987	1988	1989
Ontario	4,235	4,377	4,524	4,689	4,862	4,949
Region						
500	432	434	450	467	494	492
510	152	155	160	171	175	173
520	115	115	123	131	133	129
530	1,790	1,872	1,947	2,025	2,078	2,131
540	339	361	370	384	407	419
550	499	507	524	551	576	588
560	229	230	248	251	258	265
570	240	243	251	256	271	274
580	119	120	120	120	128	133
591	220	238	230	229	233	237
592	99	102	101	104	110	107

Table 43 (continued)

	(thousands)				
	1990	1991	1992	1993	1994*
Ontario	4,937	4,770	4,714	4,793	4,835
Region					
500	500	495	485	482	502
510	169	170	171	179	179
520	128	127	138	142	142
530	2,122	2,004	1,947	1,944	1,926
540	416	416	437	467	481
550	603	570	555	551	569
560	262	265	264	280	283
570	262	258	262	267	268
580	128	128	130	139	146
591	238	228	225	240	238
592	110	107	101	101	102

Note: Standard deviations vary significantly across regions, decreasing as the size of the region increases.

* Average based on first ten months only, calculated by Ontario Ministry of Finance.

Source: Statistics Canada, Labour Force Survey

DATA APPENDIX

Table 44 **Ontario, Employment by Industry, 1993**

	(thousands)					
	All Industries	Agriculture	Other Primary ¹	Manu- facturing	Con- struction	TCU ²
Ontario	4,793	124	34	837	251	321
Region						
500	482	12	..	46	25	29
510	179	6	..	23	12	5
520	142	4	..	18	13	5
530	1,944	11	..	354	94	138
540	467	19	..	102	27	26
550	551	17	..	119	27	29
560	280	16	..	48	14	16
570	267	14	..	68	14	19
580	139	20	..	22	10	10
591	240	..	19	22	11	16
592	101	..	..	15	5	7

Table 44 (continued) (thousands)

	Trade ³	FIRE ⁴	Health, Education & Welfare	Business & Personal Services	Other Services	Public Admini- stration
Ontario	809	341	914	705	140	316
Region						
500	75	23	90	77	18	85
510	35	8	42	26	..	15
520	28	5	29	21	4	7
530	326	190	341	317	68	105
540	81	30	87	58	13	23
550	98	32	113	76	12	25
560	47	19	64	35	6	10
570	38	15	49	33	6	11
580	21	6	24	15	4	5
591	45	9	54	34	6	21
592	16	5	22	13	..	9

.. Employment numbers under 4,000 are suppressed due to reliability.
Standard deviations vary significantly across regions and industries. The standard deviation decreases with increasing size of region or industry.

Notes: 1. Includes Fishing, Trapping, Logging, Forestry and Mining.

2. Includes the sum of Transportation and Storage Industries and Communication and other Utility Industries. In some cases, data are unavailable for one or more industries, where employment is less than 4,000.

3. Includes Wholesale and Retail Trade.

4. Includes Finance, Insurance and Real Estate Industries.

Sources: Statistics Canada, Labour Force Survey and Ontario Ministry of Finance

Economic Regions by Census Division

East

Stormont, Dundas and Glengarry
United Counties
Prescott and Russell United States
Ottawa-Carleton Regional Municipality
Leeds and Grenville United Counties
Lanark County
Frontenac County
Lennox and Addington County
Hastings County
Prince Edward County
Renfrew County

Central

Northumberland County
Peterborough County
Victoria County
Dufferin County
Wellington County
Hamilton-Wentworth Regional Municipality
Niagara Regional Municipality
Haldimand-Norfolk Regional Municipality
Brant County
Waterloo Regional Municipality
Simcoe County
Muskoka District Municipality
Haliburton County

Southwest

Perth County
Oxford County
Elgin County
Kent County
Essex County
Lambton County
Middlesex County
Huron County
Bruce County
Grey County

North

Nipissing District
Parry Sound District
Manitoulin District
Sudbury District
Sudbury Regional Municipality
Timiskaming District
Cochrane District
Algoma District
Thunder Bay District
Rainy River District
Kenora District

Greater Toronto Area (GTA)

Durham Regional Municipality
York Regional Municipality
Peel Regional Municipality
Halton Regional Municipality

Ontario Labour Force Survey Regions

- 500: The united counties of Stormont, Dundas, Glengarry, Prescott and Russell, Leeds and Grenville, the county of Lanark and the Ottawa-Carleton Regional Municipality
- 510: The counties of Frontenac, Lennox and Addington, Hastings, Prince Edward and Renfrew
- 520: The counties of Northumberland, Peterborough, Victoria, Haliburton and the Muskoka District Municipality
- 530: The Regional Municipalities of Durham, York, Toronto, Peel and Halton Regional Municipality excluding the city of Burlington
- 540: The counties of Dufferin, Wellington, and Simcoe and the Waterloo Regional Municipality
- 550: The county of Brant, the Regional Municipalities of Hamilton-Wentworth, Niagara, Haldimand-Norfolk and the city of Burlington in the Halton Regional Municipality
- 560: The counties of Oxford, Elgin and Middlesex
- 570: The counties of Kent, Lambton and Essex
- 580: The counties of Perth, Huron, Bruce and Grey
- 591: The districts of Nipissing, Parry Sound, Manitoulin, Sudbury, Timiskaming, Cochrane, Algoma, the northeastern part of the district of Kenora, and the Sudbury Regional Municipality
- 592: The districts of Thunder Bay, Rainy River and a large southwestern part of the Kenora District

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